



Changing wood to change the world

Company Number
05534340

Image Removed

Image Removed

Image Removed



Image Removed



We're a fast-growing business with a purpose.

We combine chemistry, technology and ingenuity to make high performance wood products that are extremely durable and stable, opening new opportunities for the built environment.

By doing so, we give the world a choice to build sustainably.

Icon
Removed



View the latest results online at:
www.accsysplc.com

Cabin by the sea

Location - Norway

- Architect - Tommie Wilhelmsen

The entire exterior including the façade, roof, outside deck and dock were all created using uncoated Accoya®. The Accoya® windows were coated black.

Image Removed

Overview

Major capacity expansion and strategic progress

Accoya®:

- Completion of third reactor and operation at full capacity from Q4 2019, annualised capacity increased by 50% to 60,000 cubic metres.
- Demand continues to exceed increased production.
- Plans progressing to add a fourth Accoya® reactor in Arnhem, to further increase capacity to 80,000 cubic metres.
- Discussions progressing with potential partner concerning possible Accoya® plant in USA given increasing demand.

Tricoya®:

- Construction work on the Hull plant continues to progress:
 - Hull plant expected to be operational in mid-2020 calendar year.
 - The longer term profitability of the Tricoya® plant and market opportunity remains unchanged.
- Accoya® sales to MEDITE and FINSA increased by 49% to support seeding of key European markets ahead of Tricoya® production in Hull.
- Work progressing with PETRONAS Chemicals Group (PCG) to evaluate the feasibility of building and operating an integrated acetic anhydride and Tricoya® wood chip production plant in Malaysia.

Financial performance

Total Group revenue



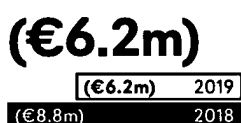
Gross profit



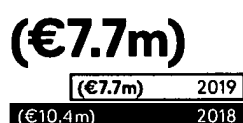
Group Underlying EBITDA¹



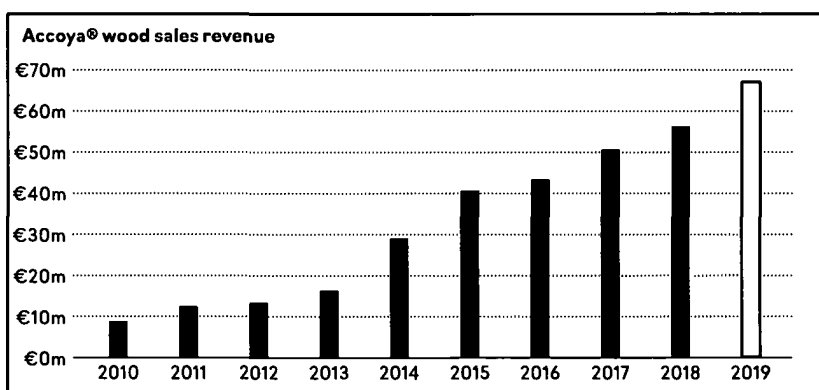
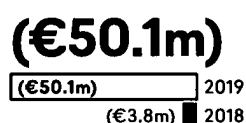
Underlying loss before tax



Loss before tax



Net (debt) balance¹



1. Alternative performance measures (APMs) are defined in note 1 in the financial statements and are prepared on a consistent basis for all periods presented.

Cover photo (right): The Orangery
 Location - UK
 Photo: © Westbury Garden Rooms

Cover photo (bottom): Tricoya® Hull Plant
 Location - UK
 Photo: © Accsys

Contents

Overview

- 1 Performance Highlights
- 2 Our Business at a Glance
- 4 Changing wood to change the world
- 6 Our Investment Proposition
- 8 Our Market

Strategic Report

- 12 Chairman's Statement
- 14 Chief Executive's Report
- 20 Our Business Model
- 22 Our Strategy
- 24 Tricoya® Consortium
- 26 Financial Review
- 30 Sustainability Report
- 33 Risk Management

Corporate Governance

- 40 Board of Directors
- 42 Senior Management Team
- 44 Chairman's Introduction to Governance
- 46 Corporate Governance
- 49 The QCA Corporate Governance Code
- 54 Remuneration Report
- 69 Directors' Report
- 73 Statement of Directors' Responsibilities

Financial Statements

- 76 Independent Auditors' Report
- 83 Consolidated Statement of Comprehensive Income
- 84 Consolidated Statement of Financial Position
- 85 Consolidated Statement of Changes in Equity
- 86 Consolidated Statement of Cash Flow
- 87 Notes to the Financial Statements
- 123 Company Independent Auditors' Report
- 130 Company Financial Statements

Shareholder Information

- 140 Shareholder Information

Overview

Our Business at a Glance

Our Products



Current manufacturing capacity

60,000m³

(2018: 40,000m³)

Total revenue

€73.9m

(2018: €60.7m)

Capacity under construction

30,000 metric tonnes

Accoya® is the world's leading high performance sustainable wood. It is stable, durable and resists rot. Warranted for 50 years for use above ground and 25 years in ground or freshwater, Accoya®'s properties match or exceed those of the best tropical hardwoods, manufactured from abundantly available, FSC® certified wood species and is Cradle to Cradle Certified™ at the Gold level.

Accoya® is the material of choice for a wide range of demanding applications from windows and doors, decking to cladding, bridges to exterior structures and applications that are presently only otherwise feasible with non-sustainable or man-made materials.

Tricoya® wood chips are produced using sustainable, FSC® certified wood species and are used to manufacture Tricoya® panel products by our licensees. Tricoya® panels demonstrate significantly enhanced durability and exceptional dimensional stability, allowing specifiers such as architects, designers and joineries greater flexibility and scope when designing. Tricoya® panels are used in a wide variety of applications such as window components and door skins, façade cladding, wet interiors, kitchen carcasses, art installations and much more. Tricoya® is also warranted for 50 years above ground and 25 years in ground or freshwater.

See page 24 for an explanation of the Tricoya® consortium.

Key developments in the year

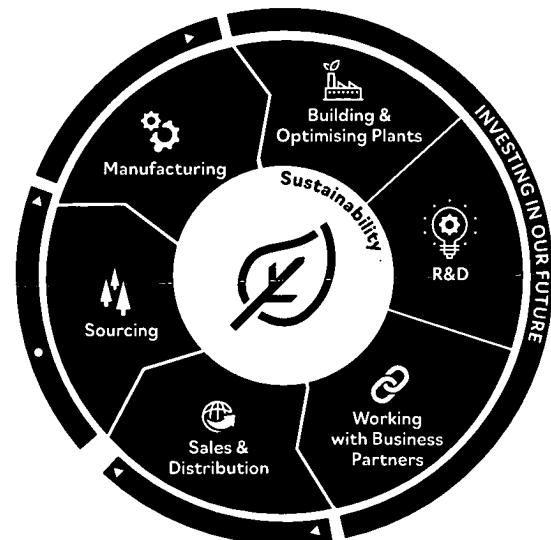
- Increased annual production capacity by 50%
- Accoya® demand continues to exceed increased production

Key developments in the year

- Agreement signed with PCG to evaluate the feasibility of a Tricoya® plant in Malaysia
- Construction work on the Hull plant continues, expected to be operational mid-2020 calendar year

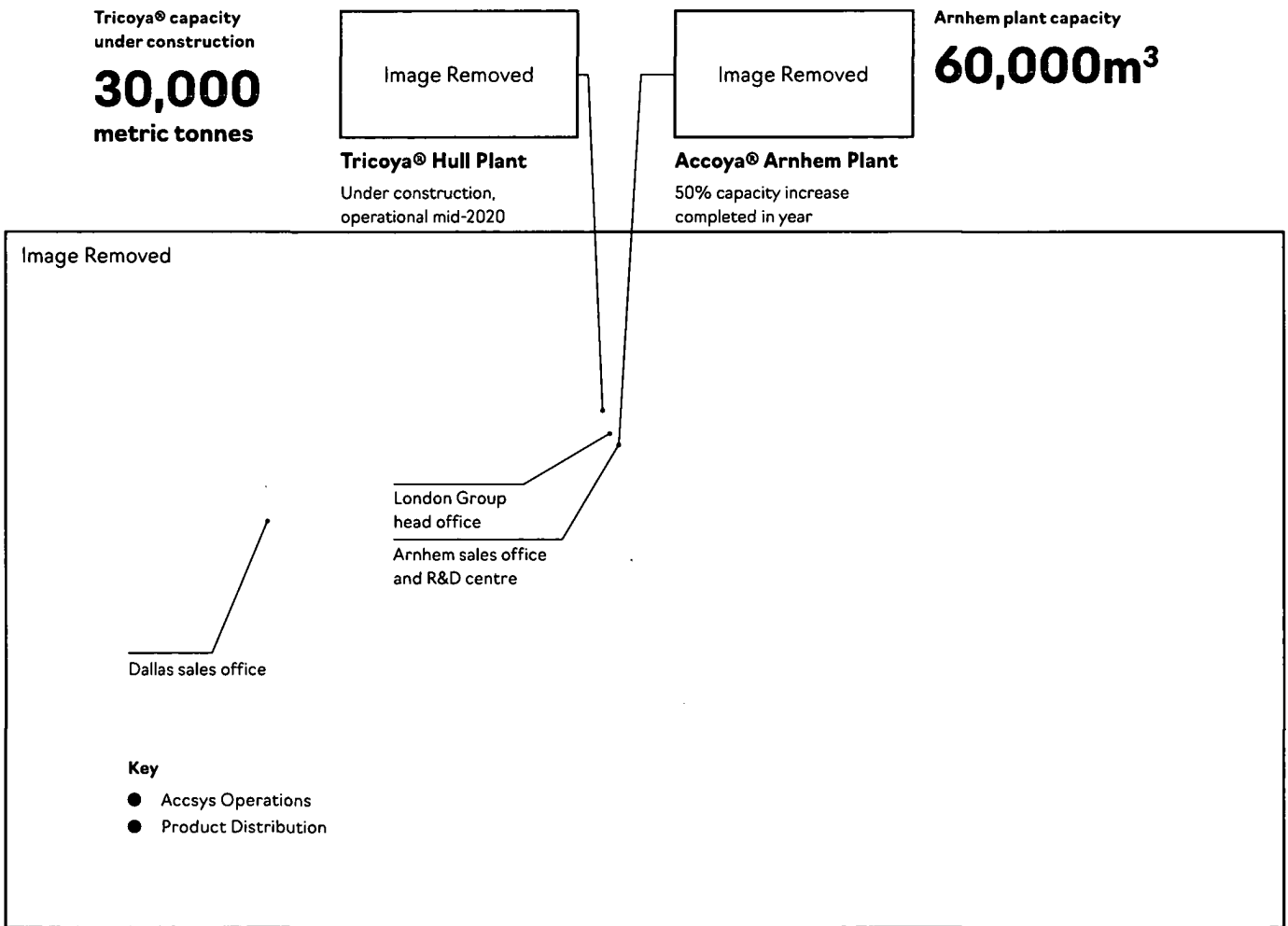
Our sustainable business model

Giving the world a choice to build sustainably and creating value for all our stakeholders.



Read more on page 20

Where we operate



Icon Removed

Our Growth Strategy

We have a clear growth strategy that will help us to extend our leadership in the industry.

- Grow product demand
- Practice manufacturing excellence
- Develop our technology
- Build organisational capability

Read more on page 22

Icon Removed

Our Investment Proposition

Creating long term, sustainable shareholder value.

- Substantial market opportunity
- Sustainability
- Scalable growth
- World leaders in technology
- Strong management team

Read more on page 06

Icon Removed

Our Corporate Governance

Corporate governance and social responsibility lies at the very core of our business.

- QCA Governance Code compliant
- Experienced Board of Directors
- Senior Independent Director appointed

Read more on page 44

Overview

Why We Exist

Background Removed

Changing wood...

We use our unique patented technology to create consistently high performing, sustainable wood products that enable new opportunities for the built environment.

We use fast growing, sustainably sourced timber to create long life wood products with properties that can compete with traditional non-sustainable building materials, such as tropical hardwoods, metal, plastic and concrete. Our acetylation process boosts the already naturally occurring acetyl content of wood and by doing so, reduces the ability of the wood to absorb water, rendering it more dimensionally stable and because it is no longer digestible, extremely durable.

Our process is extremely efficient and locks carbon into a long-life product.

Our products are:



Icon Removed

Durable

They are highly durable and outperform the very best tropical hardwoods.



Icon Removed

Stable

With resistance to shrinkage and swelling our products offer outstanding dimensional stability and can be confidently used in external applications in varying moisture conditions.



Icon Removed

Sustainable

They are produced from fast growing, abundantly available FSC® certified wood species.

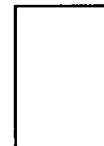
Warranted for

50 years

above ground and 25 years in ground or freshwater

Tests have shown a reduction in swelling caused by moisture uptake of up to

75%



Logos Removed

For other key product advantages, refer to Our Market page 08

...to change the world

Demand is growing for sustainable alternatives to man-made and fossil based materials. Our products give the world a choice to build sustainably.

Sustainably sourced

By significantly enhancing the durability and dimensional stability of fast-growing, abundantly available certified wood species, Accoya® wood provides compelling environmental advantages over competing materials.

Annual Yield (m³ sawn timber/ha/yr)

European Oak	3
Scots Pine	3
Teak	4
Red Meranti	4
Mahogany	4.5
European Spruce	5.5
Radiata Pine	10

See our Sustainability Report on pages 30 to 32

Cradle to Cradle Certified™ at the Gold level and Platinum (Material Health) certified

Accsys' acetylation process that is used to manufacture Accoya®, fits perfectly in the bio-cycle of the Cradle to Cradle certified® concept.

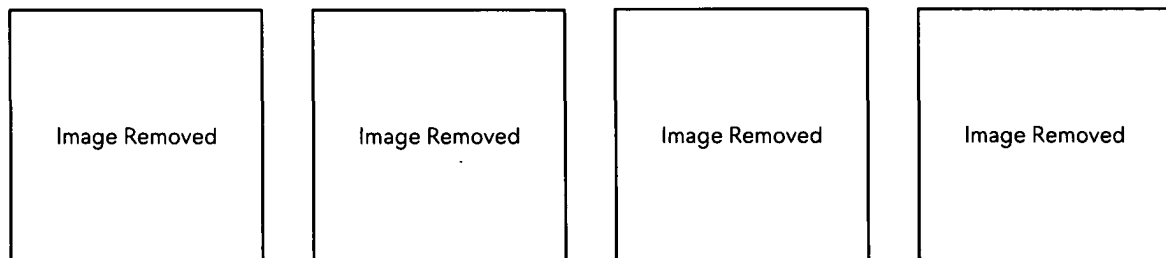
Cradle to Cradle Certified™ product scorecard for Accoya®

Material Health	Platinum
Material Reutilisation	Gold
Renewable energy and carbon management	Gold
Water stewardship	Gold
Social fairness	Gold
Overall Certification Level	Gold

A large benefit of this certification is that, especially at the higher certification levels (Gold & Platinum), it contributes to several credits in recognised Green Building Schemes such as LEED and BREEAM.

Product Categories

Our products encourage manufacturers, architects, specifiers and consumers to make sustainable building material choices on multiple global applications, without compromising on performance.



Windows & Doors
Photo: Private Residence

Cladding
Photo: Private Residence

Decking
Photo: Helsinki Public Library

Structural
Photo: The Ivy Restaurant

Overview

Our Investment Proposition

Background Removed

Icon Removed

□ SUBSTANTIAL MARKET OPPORTUNITY

Our products provide a sustainable solution to the increasing problem facing the substantial and growing building materials industry. They are natural building materials with low maintenance and consistent qualities with at least the performance properties of the highest performing, non-sustainable man-made and fossil based materials including plastics. In addition, they benefit from all the positive attributes of wood (such as sustainability, strength, beauty) without the downfalls (of poor durability and stability).

As a result, our estimates, based upon expert advice and detailed market studies, are that in excess of 2.6 million cubic metres per annum of Accoya® and Tricoya® can be sold. This would be a small fraction of the global solid wood industry.

This represents a long-term and substantial growth opportunity, noting in the year ended 31 March 2019 we sold 49,716 cubic metres of Accoya®.

→ See Our Market on page 08

Icon Removed

□ SUSTAINABILITY

Demand is growing for environmentally-friendly alternatives in everyday life, and in every sector of manufacturing. More and more regions are adopting monitoring, reporting and regulation of the total environmental impact of materials and construction projects, and both consumers and businesses are rejecting plastics in favour of more sustainable materials.

man-made, intensely resource depleting and heavily carbon-polluting alternatives. Our acetylated wood not only competes on performance, but also benefits the circular economy, locks away carbon for years, and comes from completely sustainable sources.

We have obtained numerous certifications and accreditations including Accoya® being Cradle to Cradle Certified™ at the Gold level.

We transform fast-growing, FSC® certified wood into a building material with better characteristics than

→ See Sustainability report on pages 30 to 32

Icon Removed

□ WORLD LEADERS IN WOOD TECHNOLOGY

We have developed innovative, proprietary and protected technologies which chemically modify wood through a low emissions acetylation process. The resulting products benefit from exceptional dimensional stability, durability and many other qualities as well as being environmentally sustainable.

Our products are first in class and leading the revolution of modified woods in a growing building industry which is starting to recognise and adopt the significant long term benefits of such materials.

→ See pages 18 to 19 in the Chief Executive's report

Icon Removed

SCALABLE GROWTH

Our manufacturing process and modular industrial design is based upon confidential know-how and protected IP which can be expanded and replicated world-wide.

Our existing Accoya® site in Arnhem increased its production capacity during the year by 50%, to 60,000 cubic metres and detailed planning for a further additional 20,000 cubic metres per annum expansion has commenced. The new Tricoya® plant in Hull is being constructed in such a way to enable further significant expansion in due course.

Our consortium with MEDITE and BP is a good example of what we can do with the right partners. The Accsys business development team is developing relationships with other potential partners around the world to ensure new manufacturing capacity can be developed to meet the long term global demand.

→ See Our Business Model on pages 20 to 21

Icon Removed

STRONG MANAGEMENT TEAM

Our Board and Senior Management team are highly committed and experienced, with varied backgrounds including from the wood, chemical, operations, marketing and finance industries.

→ See pages 40 to 43 for details of the team

Icon Removed



Visit our Investor Relations hub at www.accsysplc.com/investor-relations

Image Removed

An Accoya® paradise for bird spotters

Location: The Netherlands

Architect: RO&AD Architecten

The 'egg' is the brainchild of RO&AD, the architects behind many Dutch projects including the Moses Bridge and the Ravelijn Bridge.

The Accoya® wooden beams range from 1.7 metres to 2 metres, 12cm wide to 27cm to 30cm high. The hide has an elevated concrete floor: at 2.5m visitors have a great vantage point for bird spotting.

Photo: © Katja Effting

Overview

Our Market

Background Removed

Ever increasing concerns over pollution related to plastics and other man-made materials means that the superior qualities of our products are driving customers to choose our environmentally-friendly materials over established wood and man-made materials including fossil based products. This gives enormous scope to increase our penetration of this vast global market.

Our technology

Accoya® and Tricoya® are based upon our proprietary wood acetylation technology.

The physical properties of any material are determined by its chemical structure. Wood contains an abundance of chemical groups called 'free hydroxyls'. Free hydroxyl groups absorb and release water according to changes in the climatic conditions to which the wood is exposed. This is the main reason why wood shrinks and swells. It is also believed that the digestion of wood by enzymes initiates at the free hydroxyl sites – which is one of the principal reasons why wood is prone to decay.

Acetylation effectively changes the free hydroxyls within the wood into acetyl groups, which already naturally exist in wood at lower levels. This is done by reacting the wood with acetic anhydride, which comes from acetic acid (commonly known as vinegar in its diluted form). When the free hydroxyl group is transformed to an acetyl group, boosting the acetyl level, the ability of the wood to absorb water is greatly reduced, rendering the wood more dimensionally stable and, because it is no longer digestible, extremely durable.

Image Removed

Image Removed

Potential market for Accoya®
and Tricoya® is in excess of

2.6 million m³

Total Accoya® sold in the last year

49,716m³

Market

We believe the potential market for Accoya® and Tricoya® is in excess of 2.6 million cubic metres annually.

In the year ended 31 March 2019 we sold 49,716 cubic metres of Accoya®, however the total global solid wood market is understood to exceed 400 million cubic metres annually and we believe Accoya® sales in excess of 1 million cubic metres annually are ultimately achievable. While it may take some time for Accoya® and Tricoya® to reach their full market potential and may be limited by availability of manufacturing capacity, we are confident that continued strong sales growth can be generated.

Accoya® captures the market share in those applications which require high performing, long lasting, sustainable products. The impressive durability and stability benefits are highly valued in top end applications.

The majority of our Accoya® sales are to a network of timber distributors which in turn supply a variety of industries, principally for joinery (windows and doors) and for decking and cladding. As we expand, we expect that other opportunities will be developed as we become able to meet the demands of larger scale manufacturers and as we continue to develop our product and its applications.

Tricoya® panels' enhanced performance and moisture resistance makes them particularly suited to external applications including façades and cladding, soffits and eaves, exterior joinery, wet interiors, door skins, flooring, signage and marine uses. Tricoya® displaces alternative more expensive or less easily handled products and opens up major new market opportunities in the construction sector.

The global market for Tricoya® panel products is estimated to be in excess of 1.6 million cubic metres and up to approximately 4.5 million cubic metres per annum. This would equate to around 1% of global MDF manufacturing capacity. Tricoya® panels were introduced to the market by MEDITE in 2012, manufactured using chipped Accoya® as a production solution in the period before the dedicated wood chip acetylation plant is completed. Sales of Tricoya® panels have increased significantly each year since MEDITE introduced them to the market in 2012.

Both products offer environmental advantages which enable them to compete with a variety of other less sustainable wood and man-made products. We believe this will become more important as global attention increases in respect of the potential harm that other products, such as plastics and micro plastics can cause.

Background Removed



As the general contractor, we work hard for continuous supply chain engagement and Accsys performed admirably through a complex project. Through this process, we always knew where our materials were, and everything arrived as expected and promised.

Once on site, the Accoya® has been easy to work with, and presented no unexpected challenges. Finally, the finished product looks great, and has met all of the designer and owner expectations."

Brad Nile, Andersen Construction

Changing wood to change the world in North America

The Faculty of Forestry – Oregon State University

Extensive Accoya® use at the largest mass timber project in North America

When scoping their new campus buildings, the Faculty of Forestry at Oregon State University were set on making a statement about the use of wood products in large scale, high performance building design.

The buildings, designed by Michael Green Architects and built by Andersen Construction, are the primary teaching and faculty building and an open plan structural testing building.

The three-storey teaching building has a footprint of 80,687ft² and has a unique exterior combination of glass and Accoya® wood, on a cross-laminated timber structure fabricated by D.R. Robinson. The building aptly demonstrates the opportunity that exists for large scale, high performance timber buildings in North America.

The 16,000ft² A.A. 'Red' Emmerson Advanced Wood Products Laboratory houses sophisticated manufacturing systems to take innovative research to the next level. The laboratory building, also clad with Accoya®, is the first large scale use of the Mass Plywood building concept.

140,000 board feet of Accoya® cladding are being installed on the two buildings. As part of the Accoya® specification process, lead contractor Andersen Construction visited the Accoya® plant and a number of other Accoya® installations on buildings in the Netherlands.

Location: Oregon, USA

Architect: Michael Green

North America revenue

€9.1m ↑ 18%
(vs 2018)

Strategic Report

12 Chairman's Statement
14 Chief Executive's Report
20 Our Business Model
22 Our Strategy
24 Tricoya® Consortium
26 Financial Review
30 Sustainability Report
33 Risk Management

Image Removed

Strategic Report

Chairman's Statement

“I believe our improved financial performance and clear strategy for building new manufacturing capability demonstrates how we expect to increase shareholder value over the coming years.”

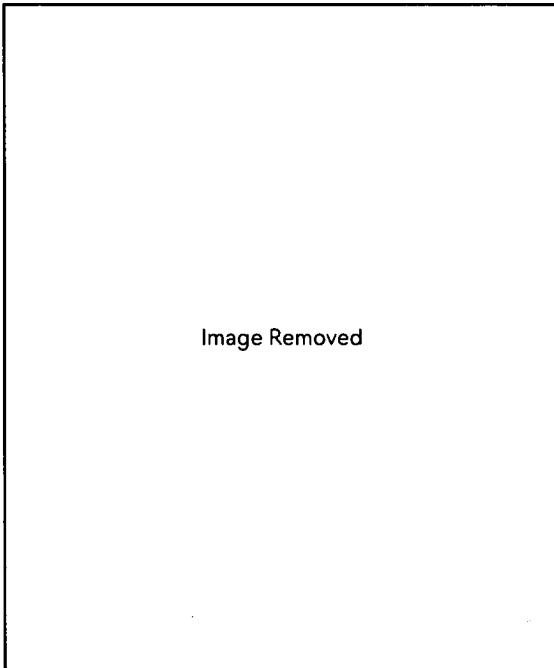


Image Removed

For Chairman's introduction to governance see page 44

Group Underlying EBITDA



Accoya® Underlying EBIT



This year, Accsys has continued to make significant progress towards its strategic goals of:

- (i) becoming an EBITDA profitable business with strong, long-term growth drivers, and
- (ii) delivering that growth by providing consistently high performing, sustainable wood products that enable new opportunities for the built environment.

The completion of the 50% expansion of our Accoya® plant was a notable milestone for the business and led to increased sales from the new production capacity, helping the Group to achieve an EBITDA positive result for the year. The new financial year should see the full benefits of this expansion as the plant reached full capacity in the fourth quarter of the financial year, leading us to believe we will see further growth in underlying profitability in the near term.

Our Accoya® operations have seen underlying EBIT for the division more than double from €2.0m to €5.5m, providing a clear indication of the appetite in the market and further potential returns from both our technologies and our products.

To satisfy that demand, we are increasing our focus on further developing our production capabilities. We have commenced planning for a fourth Accoya® reactor in Arnhem, as well as progressing discussions concerning a potential Accoya® plant in North America, a market where there is increasing demand.

There has been significant work undertaken to construct the Tricoya® wood chip acetylation plant in Hull. Though the delay we reported in March 2019 was very disappointing, I am pleased to confirm that work on the site is again progressing, and incorporates the necessary reinforcement works. We now expect the plant to be operational in mid-2020 calendar year. We continue to see strong demand for Tricoya® which reinforces our confidence that the long-term profitability of the plant remains as expected.

The commencement of the feasibility study concerning a potential Tricoya® plant in Malaysia also represents an important milestone as we look to expand into new markets, and we are very pleased to be working with the PETRONAS Chemical Group as we explore this opportunity.

Our focus on developing additional manufacturing capability requires us to ensure we have the organisational framework and appropriately skilled staff to support our growth ambitions and strategic direction. We expect to go from operating one facility to operating four facilities in three continents in the medium-longer term. This level of growth requires significant investment in our employees to keep pace with this growth.

I am grateful for the continued support of our many stakeholders, who are crucial to our ongoing growth and success. This group comprises: our commercial partners such as MEDITE and BP, our customers who have continued to support the Accoya® success story despite the challenges of supply allocations, our suppliers from New Zealand wood mills to our creative agency partners and of course our growing and loyal shareholder base. We also welcome Investec Bank PLC on board as our new joint corporate broker to work alongside Numis Securities. I must also make a special mention to all of our staff, whose continued passion for what we do is always a reminder of the positive impact our business is achieving in the area of sustainability.

We continue to ensure we put good governance at the heart of what we do, and in this respect I am very pleased that we were able to confirm full compliance with the QCA Corporate Governance Code in September 2018 and will continue to review this on an annual basis.

The new financial year has started well, with the third reactor continuing to operate at full capacity. I believe our improved financial performance and clear strategy for building new manufacturing capability demonstrates how we expect to increase shareholder value over the coming years.

Finally, we have also announced that Paul Clegg will step down as CEO after ten years in the role. Since 2009 the Group has restructured and grown considerably and now has a solid platform as reflected by these results. Both Paul and the Board feel that at this important time in the Company's evolution, as it seeks to expand, build and operate wood acetylation plants around the world, it requires a CEO with extensive manufacturing expertise.

I and the rest of the Board wish to express our appreciation for the very important contribution Paul has made to the development of the business throughout his time with Accsys. A search for a new CEO is underway however I am grateful that Paul has agreed to stay on as CEO and a Board member, until the end of December, allowing adequate time to complete the search for his successor.

Patrick Shanley

Non-Executive Chairman

24 June 2019

Image Removed

L'Arbre Blanc (The White Tree) has taken advantage of Accoya® in its 'folie architecture'

Becoming an architectural highlight for the city of Montpellier, at 56 metres L'Arbre Blanc is a 17 storey common living space extended by 193 metal balconies each of which features Accoya® wood decking.

Location: Montpellier, France

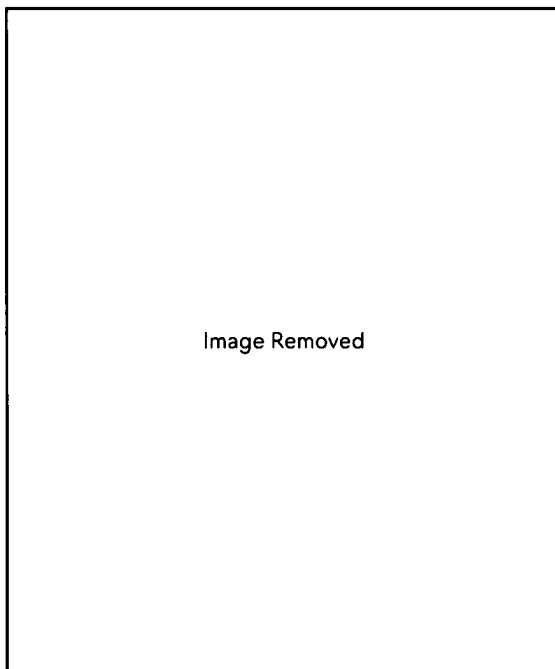
Architects: Sou Fujimoto, Nicolas Laisné and Manal Rachdi

Find out more about this project on www.accoya.com

Strategic Report

Chief Executive's Report

"We are delighted to report continued increasing demand for our sustainable alternatives to tropical hardwoods, man-made plastics and fossil based building materials."



Introduction

2019 has been a year of strong operational and financial progress. Demand from our existing customers alone continued to exceed our increased production capacity, demonstrating the growing call for our sustainable, environmentally-friendly, high performance wood products which are alternatives to non-sustainably sourced tropical hardwood, man-made plastics and highly carbon polluting construction building materials. I would like to thank all of our stakeholders and, in particular, our employees for their continued support throughout this period.

I am pleased to report that we are continuing to increase our ability to supply that demand, with the completion of the third reactor, our first significant addition to manufacturing capacity. The expanded plant reached full capacity in the fourth quarter of the financial year and has already helped us deliver a 23% increase in revenues and underlying profitability at an EBITDA level in the second half of the year. This bodes well for further growth, sustainable revenue and underlying profitability.

We are committed to a better, more sustainable future – not just as a business, but with the impact our activities and products have on the wider world. Accoya® and Tricoya® are long-lasting, environmentally responsible and consistently high performing sustainable wood products that enable new opportunities for the built environment. As we improve and increase our supply capabilities, we are moving the world towards a more sustainable, circular economic model.

Looking ahead, we continue to develop our organisational capability in all areas and have added 21 employees in the period to support the rapid growth of the business. Our employees remain a priority, with a continued focus on maintaining and improving our health and safety standards and practices across the Group.

Total Group revenue

€75.2m



Group Underlying EBITDA

€0.9m



I continue to be immensely excited by the potential for the Tricoya® development in Hull, and while the project has been delayed due to civil construction issues, a tremendous amount of work has already been successfully completed. The issues have been identified, addressed and are being overcome; we are now on track for completion by mid-2020 calendar year. This will mean our manufacturing capacity will increase from 40,000 cubic metres at the start of the 2019 financial year to the equivalent of approximately 100,000 cubic metres once the Hull plant is delivered.

Accoya® – Global performance

	Year ended 31 March 2019	Year ended 31 March 2018	Six months ended 31 March 2019	Six months ended 30 September 2018
Accoya® sales volume – cubic metres	49,716	42,676	28,337	21,379
Accoya® sales	€66.9m	€56.3m	€38.8m	€28.1m
Licence income	€1.0m	€nil	€0.5m	€0.5m
Acetic acid sales	€5.5m	€3.6m	€3.2m	€2.3m
Manufacturing margin	23.0%	21.8%	24.7%	20.7%
Underlying EBITDA	€9.0m	€4.6m	€6.2m	€2.8m

Note - H2 FY 18 manufacturing margin = 23.8%

Total Accoya® sales volume for the year ended 31 March 2019 increased by 16% to 49,716 cubic metres (2018: 42,676 cubic metres). This volume coupled with price increases led to total Accoya® wood revenue increasing by 19% to €66.9m (2018: €56.3m). When excluding sales to MEDITE and FINSA for Tricoya® panel production, sales volumes increased by 9% to 37,716 cubic metres (2018: 34,617 cubic metres).

The increase in sales volumes is attributable to consistent and growing demand for our products, with sales volumes limited only by our manufacturing capacity throughout the year, even after the plant expansion. We continue to effectively manage this situation, with all customers being on allocation. As we work to increase our production capabilities, I am grateful for their understanding and ongoing desire to work with us as we continue to build the market for Accoya® in the longer term, supported by the knowledge that Accsys offers a specialty product that our distributors can sell at consistently high margins throughout the cycle.

Sales volumes increased by 33% in the second half of the year compared to the first half. While the first half included our annual maintenance stop, of more significance was the additional manufacturing capacity from the third Accoya® reactor starting up to benefit the second half. Sales increased in the second half of the year as production ramped up, to reach capacity levels in the final quarter of the financial year, during which we sold 14,926 cubic metres of Accoya®.

The 9% growth in Accoya® volumes (excluding sales to MEDITE and FINSA for Tricoya®) continues to be driven by repeat business, primarily for use in windows, doors, decking and cladding, and has been fulfilled by our reliable and consistent network of global distributors. Demand has remained very strong throughout the period and remains so into the new financial year. Demand has continued to exceed our production capacity throughout the year. As such, we reduced the number of active distributors by 12 in the past 18 months to allow us to concentrate volume allocation to our core markets whilst further developing the relationships with our core distributor base.

Strategic Report

Chief Executive's Report continued

"The strong demand for both Accoya® and Tricoya® continues to be driven by both product quality and their sustainable credentials, reflecting the increasing importance for all building and construction activities to become more environmentally responsible."

Sales volumes by region are set out in the table below:

	2019 m ³	2018 m ³	Increase %
UK & Ireland	13,419	11,994	12%
Tricoya®	12,000	8,059	49%
Cerdia	10,640	9,464	12%
Americas	5,602	5,495	2%
Benelux	4,179	3,405	23%
Asia-Pacific	3,553	3,540	0%
RoW	323	719	(55%)
	49,716	42,676	16%

The 49% increase in sales to our Tricoya® licencees, MEDITE and FINSA, was higher than the average increase to support the seeding of key European markets ahead of the start-up of the Tricoya® plant in Hull. As a result sales to the Americas grew at a relatively lower rate year on year, also reflecting that the previous financial year saw a significantly above-average increase (43%) for the region. Demand remains very strong in USA in what continues to be a priority market. Sales in the Rest of the World decreased as we prioritised allocations with our more established regions and customers.

€1.0m of Accoya® licence related income was reported in the year (2018: €nil), reflecting the contractual milestones in place with our licensee Cerdia (formerly called Rhodia).

Accoya® pricing and margin

The gross manufacturing margin (which excludes licensing income) increased from 21.8% to 23.0% largely due to higher prices and efficiencies arising from higher production volumes. The gross manufacturing margin improved from 20.7% in the first half of the year to 24.7% in the second half of the year, with the second half benefitting from higher production volumes and no maintenance stop. Margins also benefitted from the absence of some one-off factors which influenced the previous year, which included an additional production stop in May 2017 associated with the expansion project.

Raw wood supply incurred small cost price increases compared to the previous year, while acetyl prices initially increased more significantly before eventually decreasing toward the end of the year. The annual price increase for Accoya® implemented in January 2019 to cover these raw material cost increases has also benefitted gross margin into the 2019 calendar year. We expect raw material prices to remain relatively stable over the course of the next year.

Overall, margins continue to be significantly influenced by the quantity of material sold for Tricoya® production as well as to Cerdia, under our off-take agreement, which together made up 46% of total volume sold in the period (2018: 41%). These discounted prices are expected to end in 2020 with the start-up of the Hull plant and scheduled end of the Cerdia off-take agreement, leading to higher overall margins.

The new financial year will therefore further benefit from economies of scale of operating the expanded plant for the full year, with further margin improvements expected from 2020 calendar year. As a result, we continue to expect the Accoya® business to achieve a 30% gross manufacturing margin in the longer term.

Accoya® manufacturing capacity

We successfully completed the construction and commissioning of the third Accoya® reactor in the year, increasing our manufacturing capacity by 50% to 60,000 cubic metres per annum. The new reactor commenced operation in summer 2018, and the successful resolution of some post-commissioning teething issues led to a full ramp-up of production levels. All three reactors have now been operating at full capacity since the start of the 2019 calendar year, and we have started the new financial year at the same operating rate.

With demand continuing to exceed supply, our focus has quickly turned to the next stage of the expansion: the potential addition of a fourth reactor to take the Arnhem site capacity to 80,000 cubic metres per annum. We have commenced work on this project with preliminary design and planning underway.

The third reactor project included some of the chemical infrastructure for a fourth reactor, however we expect that further work beyond the core fourth reactor unit itself will be required to support full speed operation of four reactors simultaneously.

This additional work will, however, have the potential to improve efficiency of the entire Arnhem operation, with the addition of new chemical storage facilities and new wood handling equipment. Further details of the required capital expenditure and how this is to be financed will be confirmed as the detailed planning progresses. We would expect the addition of a fourth reactor to further improve gross margins as a result of the economies of scale of operating on the same site, and with only a limited increase in related overhead costs.

We acquired the majority of the land and buildings associated with our Accoya® plant in Arnhem in August 2018. We acquired the assets for a total of €23m from Bruil, the property development company to whom we had previously sold the land over a number of transactions and who subsequently constructed our new offices, laboratory, warehouse and distribution centre. The purchase gives us full ownership of a key asset and should provide considerable strategic and financial benefits to the Group over time as we continue to explore ways of further improving our processes and the efficiency of the site.

We have also made further progress towards the creation of a new Accoya® plant in the USA. Discussions with a prospective partner there are becoming more detailed as we explore the challenges and opportunities associated with the location. Such discussions are encouraging given the scale of the potential market for Accoya® in the USA which we believe represents the largest global market, however we expect it to take a while longer before we can conclude whether a partnership and the resulting new Accoya® plant will proceed.

Image Removed

An elegant five-star Accoya® wood hotel on the shores of Lake Orta in Italy

This five-star boutique-hotel allows you to relax at the slow pace of life at the water's edge. It is in this spirit that Casa Fantini, created by the architect Piero Lissoni, was designed. Two buildings, one pre-existing and one new, are identifiable by their contrasting façades. Facing the lake and blending into the landscape through the choice of natural materials such as stone and Accoya® wood for exterior cladding.

Location: Lake Orta, Italy

Architect: Piero Lissoni

Find out more about this project on www.accoya.com

Photo: © Giovanni Gastel

Strategic Report

Chief Executive's Report continued

Tricoya® Consortium

The market for Tricoya® panels continues to grow, with our partner MEDITE, who has been responsible for the majority of sales so far, continuing to seed new markets in the UK, Ireland and Northern Europe. This has resulted in our sales of Accoya® for the production of Tricoya® panels increasing by 49% to 12,000 cubic metres during the year.

The construction of the first dedicated Tricoya® wood chip acetylation plant in Hull has been substantially progressed in the year, with €28m invested and several significant milestones reached. Many of the wood handling aspects of the plant have been constructed and all equipment has been ordered, with most now on site already. We have recruited the first employees who will make up the ongoing operations team of 31, and they are currently planning the commissioning and start-up of the plant.

A delay in building means that we now expect the plant to be operational in mid-2020 calendar year, as we were notified by our lead contractor responsible for the delivery of the project that certain structural engineering issues needed to be addressed. Principally this entailed the reinforcement of the main tower foundations and steelwork.

I was very pleased to announce in January 2019 that we had signed an agreement with PETRONAS Chemicals Group Berhad ('PCG') to evaluate the feasibility of jointly funding, designing, building and operating an integrated acetic anhydride and Tricoya® production plant in Malaysia. It is envisaged that Tricoya® wood elements produced at the Malaysian plant would use acetic acid from PCG's existing joint venture in Malaysia. The plant would then supply the wood panel industry within South East Asia, under licence, as the key raw material for the formation of Tricoya® panels for the use in the substantial construction industry in the region.

Since January, our teams have been progressing work on the various work streams which include evaluating preliminary engineering studies, and regional customer and market feasibility assessments. The evaluation is expected to last for a period of at least another 12 months before a decision is made as to whether to proceed further.

Intellectual Property

We continue to focus on and invest heavily in the generation and protection of intellectual property ('IP') relating to the innovation associated with

"We are delighted to be working with PETRONAS Chemicals Group in Malaysia, and are encouraged by the discussions with a potential partner in the USA."

The issue related to civil works and does not relate to Accsys' Tricoya® acetylation technology, meaning that there is no impact on the long-term expected profitability of the project, with gross margin of approximately 40% achievable once the plant reaches near capacity levels over the next few years. This issue is the responsibility of the contractor and work is now progressing well to rectify the issue. The delay is likely to add some additional costs associated with our project team and related activities being required for a longer period.

We expect demand from MEDITE and FINSA will utilise the majority of the capacity of the Hull plant after it ramps up operation. I remain very optimistic about the potential for Tricoya® and the development of the Hull plant, with the continued market demand for the acetylated chips pointing to an encouraging return on investment.

our acetylation processes and products, ensuring ongoing differentiation and competitive advantage in the market place. Accsys has increased its number of patent applications in the recent period to 316, in 50 countries. The number of granted patents has significantly increased to 139, including patents relating to key technologies in various countries throughout the world.

Using a combination of patents and know-how, Accsys continues to invest in the generation and protection of core IP associated with our technology for the acetylation of solid wood and wood chips, as well as on complementary technologies for use with Accoya® and Tricoya® wood products.

Management of valuable know-how remains an essential element of safeguarding our innovations and market position, with confidentiality protocols in place to prevent unauthorised access to such know-how.

We also place strict contractual obligations on third parties collaborating with Accsys, with particular focus on minimising risks by ensuring Accsys' know-how is only shared when absolutely necessary. Controls are also placed on receiving confidential information, to prevent protection associated with our internal research efforts being compromised. Increased and regular training ensures Company-wide awareness of the importance of protecting and controlling our know-how. Critical attention continues to be given to protecting Accsys Confidential Information and IP as it expands its production capabilities and licensing opportunities through collaborations with third parties.

Our well-established trade mark portfolio continues to grow geographically and covers the key distinctive brands Accoya®, Tricoya® and the unique device under which products are marketed, alongside the corporate Accsys brand, including transliterations in Arabic, Chinese and Japanese. All of our key brands have now been registered in over 60 countries, becoming valuable and recognisable names in the timber and panel industries. Additional trade mark registrations have increased the strength of the Company brands, with more recent and ongoing activity focused on securing protection for our new Company logo.

Accsys continues to maintain an active watch on the commercial and IP activity of third parties to monitor and take action if its IP rights are infringed, to identify potentially valuable third-party IP which could be exploited via a strategic alliance, in-licence or acquisition, and to obtain an early insight into any IP which could potentially hinder our commercial activity. The scope of the IP watch is under regular review so as to align with the increased diversity of our research programmes.

Careful IP management, effected via our qualified in-house IP manager working in close conjunction with our technology, engineering, product development, marketing and commercial teams, and supported where appropriate by external patent and trade mark attorneys, ensures our IP portfolio is maintained, protected, and grown in a cost-effective manner, adding value to our manufacturing and licensing businesses. The IP portfolio continues to be regularly reviewed to ensure alignment with the Company objectives, and to confirm fulfilment of obligations to current and potential future licensees.

Outlook

The new financial year has started well. We continue to be challenged by demand exceeding our manufacturing capacity but the completion of the third Accoya® reactor enabled significant growth for our output and sales. We aim to continue to increase both our production capabilities and the market's appetite for our uniquely attractive products. Demand is being further driven by ongoing trends towards ecologically responsible and sustainable business practices.

The fourth reactor project represents the next opportunity for a significant increase in our ability to meet demand, and we will continue to explore other ventures while developing the opportunities in Malaysia and the USA.

It is with great pleasure that this year we have reported underlying EBITDA-positive results, and I am confident our profitability will continue to grow in the medium and longer term as we benefit from our increased capacity. The anticipated start-up of the Tricoya® plant in Hull in 2020 will not only produce a new revenue stream, but is expected to also free up capacity in our Arnhem plant for more, higher-priced Accoya® sales, improved efficiencies, and therefore higher margins.

We believe that continued success will be delivered by fulfilling our key strategic objectives: practicing manufacturing excellence, growing product demand, building our organisational capability and continuing to develop our technology. All of our stakeholders will continue to be instrumental in our future success and in particular our employees who I would again like to thank for their ongoing passion and commitment to what we do.

We are Accsys, and we are changing wood to change the world.

Paul H.A. Clegg

Chief Executive Officer

24 June 2019

Strategic Report

Our Business Model

Background Removed

Creating value for all our stakeholders

Our differentiators

We utilise the following resources and relationships, which offer us a competitive advantage in our marketplace:

Our technology and IP

We have developed families of patents, providing robust protection over our proprietary products and processes.

50 countries in which we hold **316 patents** and patent applications

Our people and engineering expertise

Our passionate employees are key to the successful execution of the Group's strategy, together with their valuable know-how and a dedication to the future success of the Group.

15% headcount increase in the year

Environment

Accoya® & Tricoya® fit perfectly in the bio-cycle of the circular economy.

Cradle to Cradle Certified™
at the Gold level

Strong industry relationships

We work with equipment manufacturers, wood suppliers, the acetyls industry, testing and certification bodies, and other system supply specialists, to help us develop our technology, products and their place in the market.

Industry leading brands

Our brands Accoya® and Tricoya® are globally registered trademarks, portraying our products' sustainable, high quality and long-term performance.

66 countries in which our products are registered trademarks

Financial strength

Solid financial base to fund growth organically and through further investment.

EBITDA positive for the Group this year

Accoya® Underlying EBITDA

€9.0m ↑ **94%**
(vs 2018)

Our activities

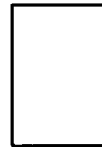
We combine chemistry, technology and ingenuity to make high performance wood products that are extremely durable and stable, opening new opportunities for the built environment.



Sourcing

We obtain timber from FSC® certified, sustainable, fast-growing forests, primarily in New Zealand and Europe.

Forest Stewardship Council® (FSC) certified



Logo Removed



Proprietary manufacturing

We manufacture our wood products using our proprietary low emission, acetylation wood modification process at our existing plant in the Netherlands.

49,716m³

Accoya® sold this year

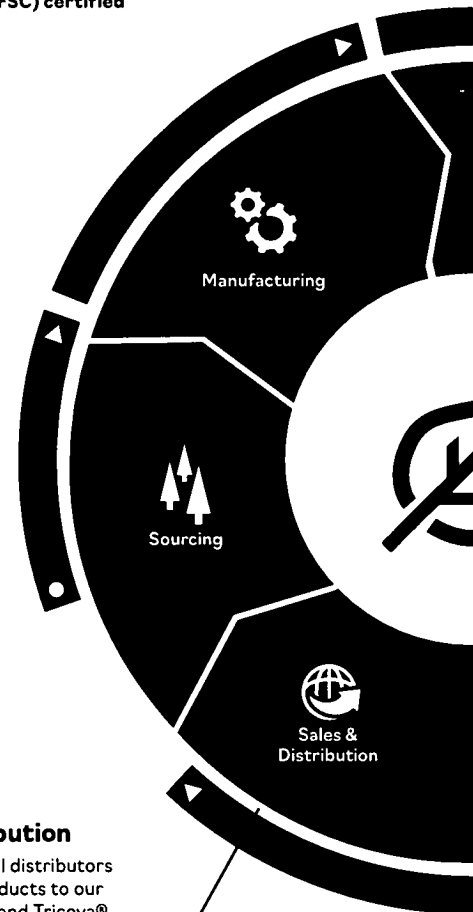


Global sales and distribution

We work with a network of global distributors to get our sustainable wood products to our customers, who utilise Accoya® and Tricoya® materials to create branded products such as windows, doors, decking, cladding, façades and other external applications.

23%

revenue growth this year which continues to be driven by repeat business



We continue to prove the value and quality of our products and processes, opening up growth opportunities for the Group.

How we are investing in our future

A key part of our business model involves focusing on growth opportunities, to take advantage of the substantial global market opportunity we believe is achievable with our products.



Building new plants and optimising existing sites

We develop and optimise existing sites and processes to benefit from existing skills and leverage operational and financial scale.

We identify new international locations and appropriate partners to develop additional capacity in order to meet our longer-term growth potential in global markets.

50%

increase in Accoya® manufacturing capacity completed in the year to 60,000m³



Research and development (R&D)

We have developed innovative, proprietary and protected technologies which chemically modify wood through a low emissions acetylation process.

We continue to invest in R&D, focused on optimising our existing product offering and technologies and investing in focused technology solutions, which materially enhance our productivity and cost of production.



Working with business partners

Working with business partners provides the greatest prospect for taking advantage of the substantial global market opportunity for our products.

We continue to work with our partners in order to achieve our objective of expanding the production footprint globally, in particular, with partners which have resources or technologies which complement our own.

In January 2019 agreement signed with

PETRONAS Chemicals Group

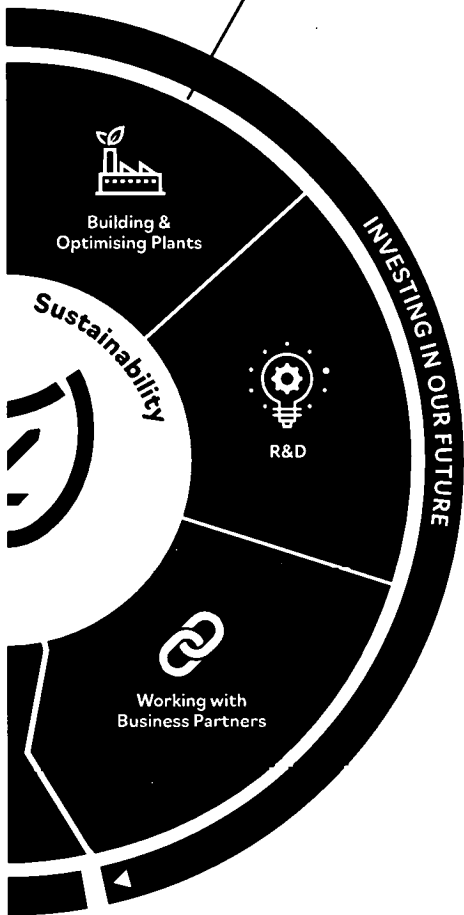
to evaluate feasibility of jointly funding, designing, building and operating a Tricoya® plant in Malaysia



Proven sustainability credentials

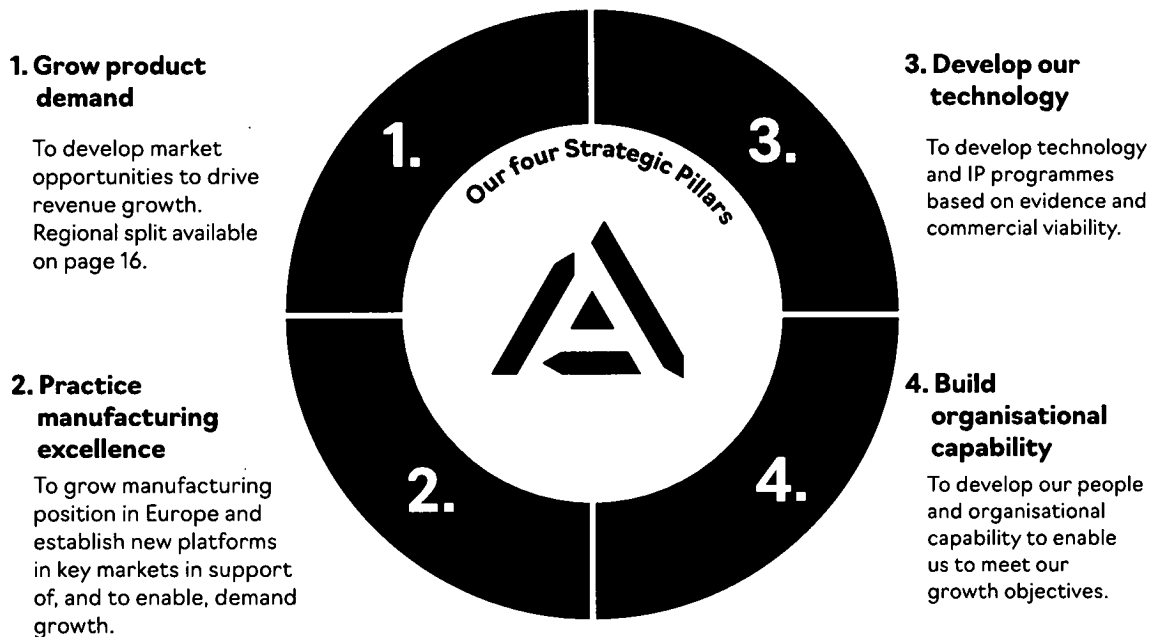
Our products are fully recyclable and lock in CO₂ during their longer lifespan. We give the world a choice to build sustainably, with our wood products offering a sustainable alternative to fossil fuel based or man-made products.

→ See our Sustainability Report on pages 30 to 32



Strategic Report
Our Strategy

The strategic priorities that will enable us to achieve our goals and fulfil the substantial growth potential in our markets.



1. Grow product demand

Ambition	Approach	Progress in year ended March 2019	Key results to be achieved for year ending March 2020
<p>To develop market opportunities to drive revenue growth</p> <p>KPIs: Accoya® and Tricoya® volume sold by key target geographies</p>	<ul style="list-style-type: none"> Focus on significant and growth markets, for example Original Equipment Manufacturers and Joinery market Working with our customers to sell our products: <ul style="list-style-type: none"> Building long term customer relationships Targeting repeat business Develop critical mass within key markets Build and protect our brands Developing the substantial environmental advantages that our products offer Development of partnerships to allow the above in a cost effective manner 	<ul style="list-style-type: none"> Total volume sold increased by 16% to 49,716 cubic metres. (See page 16 for regional split): <ul style="list-style-type: none"> Accoya® sales volumes (excluding to MEDITE and FINSA) increased by 9% to 37,716 cubic metres 49% increase in volume sold for production of Tricoya® panels; however Sales volumes continue to be capacity constrained with all customers on allocation Tricoya® feasibility plan agreed with Petronas Chemicals Group includes evaluation of Tricoya® markets in region to be carried out 	<ul style="list-style-type: none"> Construction of Hull Tricoya® plant to generate additional capacity in 2020. Develop market plan for Tricoya® in Asia and enhanced market plan for USA to support possible Accoya® plant Meeting pent up demand for Accoya® from expanded capacity following a significant period of customers being on sales allocation

2. Practice manufacturing excellence

Ambition	Approach	Progress in year ended March 2019	Key results to be achieved for year ending March 2020
<p>To grow manufacturing position in Europe and establish new platforms in key markets in support of, and to enable, demand growth</p> <p>KPIs, by geography:</p> <p>Operational manufacturing capacity</p> <p>Manufacturing capacity under construction</p>	<ul style="list-style-type: none"> • Safe operations, everywhere • Develop and optimise existing sites and leverage operational and financial scale • Develop existing skills to ensure continuous improvement at all locations • Identify new international locations and appropriate partners to develop additional capacity in order to meet longer term growth potential in global markets • Product development focused on significant volume and value propositions • Ensuring adequate supply of raw materials at acceptable economics 	<ul style="list-style-type: none"> • Record production from Arnhem plant of 48,787 cubic metres • Third Accoya® reactor construction successfully completed, increasing capacity by approximately 20,000 cubic metres per annum • Tricoya® plant construction underway, although has incurred a delay. This will have a capacity of approximately 30,000 metric tonnes of Tricoya® wood chips per annum from mid-2020 	<ul style="list-style-type: none"> • Tricoya® plant construction expected to be near complete ahead of operation in mid-2020 calendar year • Front end engineering associated with fourth Accoya® reactor and related capacity improvements in Arnhem • Progress towards understanding feasibility of locating a Tricoya® plant in Malaysia • Development of key supply chain relationships and options in order to support longer term ambition

3. Develop our technology

Ambition	Approach	Progress in year ended March 2019	Key results to be achieved for year ending March 2020
<p>To develop technology and IP programmes based on evidence and commercial viability</p>	<ul style="list-style-type: none"> • Optimisation of existing products and technologies • Pursuit of focused technology solutions which materially enhance productivity and cost of production 	<ul style="list-style-type: none"> • Further progress made in development of potential coloured Accoya® and other potential end product developments which would lead to new applications 	<ul style="list-style-type: none"> • Finalisation of development of coloured Accoya® • Development of acetyls programme focusing on maximising value of our acid bi-product • Continued development of application of acetylation to other solid wood applications • Fully define detailed and focused technology development programme for implementation from 2019, based on existing assets, know-how and development programmes

4. Build organisational capacity

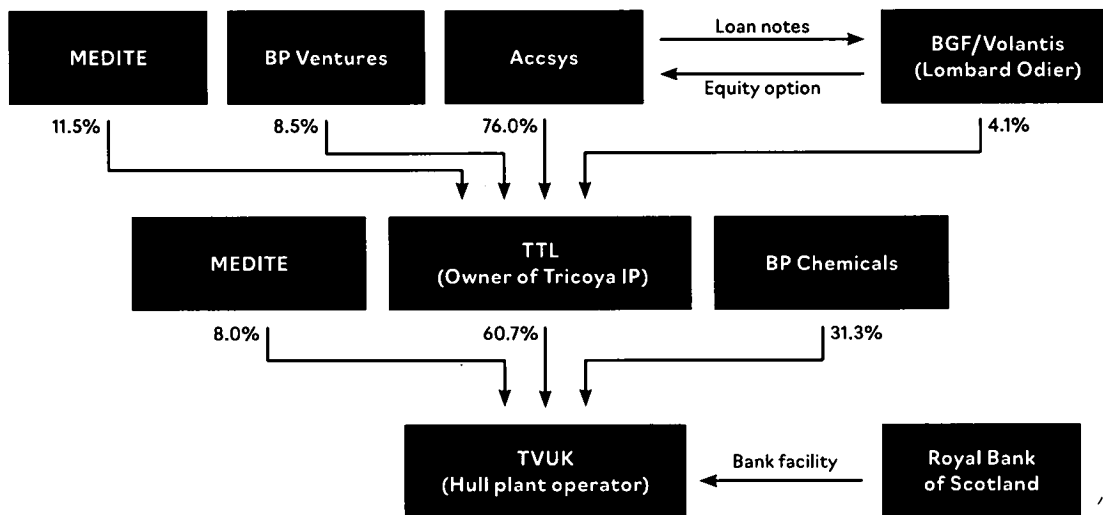
Ambition	Approach	Progress in year ended March 2019	Key results to be achieved for year ending March 2020
<p>To develop our people and organisational capability to enable us to meet our growth objectives</p>	<ul style="list-style-type: none"> • Develop, articulate and live our values and culture • Develop management and leadership capabilities to support growth ambition • Develop the governance appropriate for the growth of the business • Engagement and investment of the whole workforce 	<ul style="list-style-type: none"> • Review of corporate governance resulting in statement confirming full compliance with QCA Code • Implementation of new HR tool to allow for greater employee engagement • Commenced review of corporate brand, with particular focus on internal stakeholders • Undertaken review of many HR related functions to identify areas for development 	<ul style="list-style-type: none"> • Develop the framework of creating and assessing fully aligned employee objectives and key results • Develop Company's values programme

Strategic Report

Tricoya® Consortium

The Tricoya® Consortium was formed on 29 March 2017, with its members comprising Accsys Technologies, BP Chemicals, BP Ventures, MEDITE Europe DAC, BGF & Volantis (Lombard Odier) and with project finance debt provided by RBS. BP and MEDITE also provide strategic benefits through supply and sales off-take agreements respectively.

Tricoya® Consortium structure



The Tricoya® Consortium:

- Is working to achieve the market potential of Tricoya® through:
 - increasing production capacity;
 - investing in Research & Development to further enhance the Tricoya® product and its production processes;
 - marketing Tricoya®'s sustainable, enhanced durability and exceptional dimensional stability properties;
 - seeding the market for Tricoya® products;
 - pursuing additional licence or consortium agreements worldwide to support Tricoya®'s growth potential.
- Tricoya Ventures UK Limited (TVUK) – are building and will operate and run the Tricoya® plant at Saltend Chemicals Park, Hull, a site selected for its adjacency to BP's acetic anhydride plant. The plant will produce Tricoya® chips to sell to the panel industry as a feedstock.
- Tricoya Technologies Limited (TTL) – has signed an agreement with PETRONAS Chemicals Group ('PCG') to evaluate the feasibility of jointly funding, designing, building and operating an integrated acetic anhydride and Tricoya® production plant in Malaysia.

The Tricoya® opportunity:

- Global market for Tricoya® panels estimated in excess of 1.6 million cubic metres per annum:
 - this equates to approximately 1.5% of global MDF manufacturing capacity.
- Tricoya® panel sales to date limited to market seeding using chipped Accoya® at higher cost.
- Wholesale price of Tricoya® panels above that of Accoya® reflecting its exceptional properties and that it is a unique offering in the market.
- Construction of the Hull plant is expected to address the increased global demand and promote increased supply.

Tricoya® revenue streams include:

- Sale of acetylated wood chips.
- Licence and royalty fees received from licensees for panel forming IP and right to brand and sell Tricoya® panels.
- Licence and royalty fees received by TTL for right to use Tricoya® IP to manufacture Tricoya® chips.
- Sale of Acetic acid, which is a by-product of the Tricoya® manufacturing process.

The Hull plant:

- Construction progressing, with the Hull plant expected to be operational in mid-2020 calendar year.
- Initial capacity of 30,000 tonnes of chip per annum, sufficient to produce approximately 40,000 cubic metres of Tricoya® panels.
- Licensee and sales agreements secured with MEDITE & FINSA, with expectation the plant will be significantly loaded from start-up.
- Plant expected to be EBITDA positive operating at approximately 40% capacity.
- Full capacity expected to be reached in approximately four years.

Image Removed

Sanctuary: 'House of Heroes' children's recovery centre is built with MEDITE TRICOYA® EXTREME

A hospital facility in Norrland, Sweden has been renovated extensively with wood-based products, owing to the universal belief that natural materials help people heal better. This serene and homely sanctuary functions as a temporary home for families with young children suffering from long-term illness.

Designed by White Arkitekter, Hjältarnas Hus (House of Heroes) features MEDITE TRICOYA EXTREME (MTX) panels along the outer walls, while the roof is structured from glue-laminated wood ('glulam'), overlaid with white metal sheets.

Location: Norrland, Sweden
Architect: White Arkitekter

Strategic Report

Financial Review

“€2.3m Group Underlying EBITDA recorded in the second half of the year resulting in positive Group Underlying EBITDA for the full year of €0.9m.”

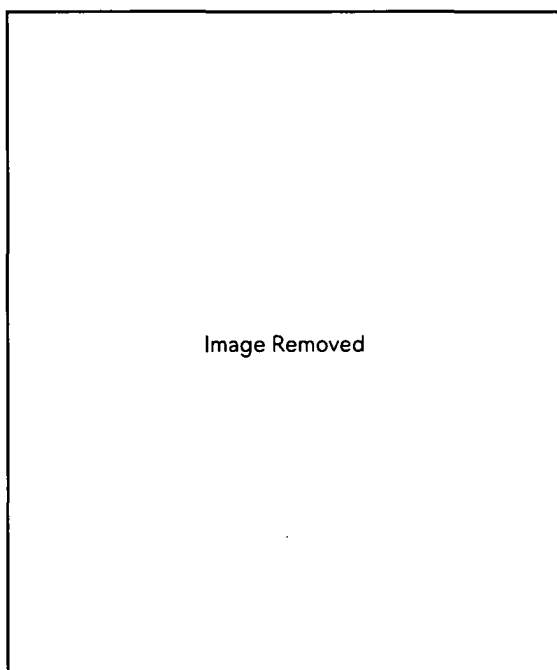


Image Removed

Statement of comprehensive income

Group revenue increased by 23% to €75.2m for the year ended 31 March 2019 (2018: €60.9m). Revenue from Accoya® wood increased by 19% to €66.9m largely as a result of higher sales volumes and higher average selling prices. Included within Accoya® revenue, are sales for the manufacture of Tricoya® panels, which increased to €11.8m (2018: €7.8m). These sales are used to develop the market for Tricoya® products, ahead of the start-up of the Tricoya® plant, currently under construction in Hull.

Tricoya® wood revenue of €0.6m represented sales of Tricoya® panels, purchased from our Tricoya® licensees, to sell into other geographies in order to provide initial market seeding material for the global Tricoya® market.

Licence revenue of €1.6m (2018: €0.2m) was principally attributable to our Accoya® licensee, Cerdia International GmbH ('Cerdia') (previously named Rhodia Acetow), reflecting the milestone nature of our contract with them and licence income in our Tricoya® segment. Other revenue of €6.0m (2018: €4.4m) predominantly relates to the sale of acetic acid which increased compared to the prior year given higher production levels and higher acetic acid prices.

Gross margin increased from 22% to 25% compared to the previous year due to higher licencing income and an improved Accoya® manufacturing gross margin. The increase in Accoya® manufacturing gross margin from 22% to 23% was driven by higher average selling prices, however, this was somewhat

Group Underlying EBITDA
H2 2019

€2.3m

H2 2019 €2.3m

H1 2019 (€1.4m)

Group cash flow generated
from operating activities

€0.3m

2019 €0.3m

(€3.8m) 2018

	Year to 31 March 2019	Year to 31 March 2018	Change %	H2 2019	H1 2019	H2 2018	H2 2019 v H1 2019 Change %	H2 2019 v H2 2018 Change %
Total Group Revenue	€75.2m	€60.9m	23%	€43.6m	€31.6m	€32.6m	38%	34%
Gross profit	€18.6m	€13.6m	37%	€11.6m	€7.0m	€8.0m	66%	45%
Underlying EBITDA	€0.9m	(€3.5m)		€2.3m	(€1.4m)	(€0.7m)		
Underlying loss before tax	(€6.2m)	(€8.8m)		(€1.7m)	(€4.5m)	(€3.6m)		
Statutory loss before tax	(€7.7m)	(€10.4m)		(€2.3m)	(€5.4m)	(€3.6m)		
Year end cash balance	€8.9m	€39.7m		€8.9m	€22.0m	€39.7m		
Year end net (debt)	(€50.1m)	(€3.8m)		(€50.1m)	(€34.2m)	(€3.8m)		

offset by an increase in the proportion of lower margin sales. 46% of Accoya® sold in the year was sold to Cerdia or for Tricoya®, both of which are at discounted prices, compared to 41% in the prior year. This proportion decreased in the second half of the financial year and is expected to decrease further in the new financial year, allowing for greater volumes for non-discounted sales to other Accoya® customers. The Accoya® manufacturing gross margin increased to 25% in the second half of the financial year as we benefited from higher prices and higher production and sales volumes. Gross margins of 30% for the Accoya® business continue to be achievable in the longer term when taking account of higher production volumes as well as excluding the impact of the sales at discounted prices.

In addition, the previous year included an additional plant shut down which was required as part of the third reactor construction project and which was not required in the current year.

Underlying other operating costs (excluding depreciation and amortisation), increased from €17.1m to €17.7m. This increase was largely due to higher underlying staff costs which increased by €1.9m to €14.1m due to inflationary salary increases and an increase in average headcount by 21 compared to the prior year. The increase in headcount is predominantly attributable to an increase in Arnhem operations staff following the commissioning of the third Accoya® reactor and recruitment of the first phase of staff for the Hull Tricoya® plant.

The increase in staff costs were partially offset by a decrease in third party sales and marketing expenditure and a decrease in R&D expenditure during the year. The lower R&D expenditure recognised in the consolidated statement of comprehensive income was principally due to an increased amount of patent related costs qualifying for capitalisation.

Depreciation charges increased compared to the prior year following the completion of the third reactor and the purchase of the previously leased Arnhem land and buildings, mentioned below.

Underlying finance expenses increased to €3.1m (2018: €2.2m) due to interest payable on our loan with Cerdia no longer being capitalised following the completion of the third Accoya® reactor, together with finance charges attributable to the lease arrangements relating to the new building in Arnhem, which was occupied in November 2017 and which was subsequently replaced by loans with ABN AMRO and Bruil following the purchase of the land and buildings during the year.

An exceptional finance charge (€1.1m) has been recognised in respect of the acquisition of the land and buildings in Arnhem from Bruil as previously reported in the first half of the financial year. The non-cash charge reflects the difference between the assets held under the finance lease and the finance lease liability which was terminated at the point the acquisition was completed. The prior year included €1.6m of exceptional expenses. See note 5 for further details.

Other adjustments for the year include foreign exchange differences on cash and loans held in pounds sterling. The cash is held primarily in pounds sterling to act as a cash flow hedge against future sterling project expenditure on the new plant being constructed in Hull. The effective portion of the cash flow hedge is recognised in Other comprehensive income. See note 5 for further details.

Underlying loss before tax decreased by €2.6m to €6.2m (2018: €8.8m). After taking into account exceptional items and other adjustments, loss before tax decreased by €2.7m to €7.7m (2018: €10.4m).

The tax credit of €0.8m (2018: tax credit of €0.3m) reflects a prior period adjustment and results from a change to the Group's transfer pricing policy to more accurately reflect the Group's business model.

Cash flow

Cash flow generated from operating activities of €0.3m compared to €3.8m out-flow in the previous year, reflects the improving operational cash flow being generated by the Group.

At 31 March 2019, the Group held cash balances of €8.9m, representing a €30.8m decrease in the year from 31 March 2018. The decrease in cash in the year is largely attributable to investment in tangible fixed assets of €37.4m (excluding the land and buildings purchase), offset by €5.7m in-flow from the issue of new ordinary shares in Accsys to VP Participaties BV, drawdown of €3m on the Tricoya® RBS facility and of €1.8m on our working capital facility.

Loan repayments (including rolled up interest) of €3.2m commenced during the year, with repayments commencing to BGF, Cerdia and on the ABN AMRO/ Bruil borrowings mentioned below.

Loan receipts of €23m from ABN AMRO and Bruil related to the land and buildings purchase in Arnhem, affecting both investing and financing activities, with the freehold purchase included within Property, plant and equipment, offset by the termination of the associated finance lease. See note 29.

Strategic Report

Financial Review continued

Background Removed

Financial position

Plant and machinery additions of €36.7m (2018: €31.1m) in the year principally consisted of the construction of the third Accoya® reactor (€8.4m) which was completed during the year and the continuing Tricoya® plant construction in Hull (€27.8m). Net additions of €9.8m were made in the year as a result of the purchase of the land and buildings in Arnhem, representing the purchase price of €23.0m net with €13.2m of assets which had previously been accounted for as a finance lease. This purchase was financed by loans from ABN AMRO and Bruil, set out below.

Trade and other receivables increased to €13.0m (2018: €9.3m) largely as a result of increased sales in the year compared to prior year and strong sales in the month of March.

Inventory levels increased in the period to €14.0m (2018: €13.1m), driven by an increase in finished goods principally due to the start-up of Reactor 3 in the year, increasing our production capacity by 50%. Levels of Accoya® inventory remain low, with the finished goods balance representing two to three weeks of sales.

The increase in trade and other payables to €20.0m (2018: €18.0m) is primarily due to accruals associated with the capital projects, which are due for payment in the next financial year.

Amounts payable under loan agreements increased to €56.9m (2018: €29.3m). New financing arrangements in respect of the Arnhem property of €23m were undertaken in the year, comprising of a €19m partially amortising five year package from ABN AMRO, and a commercial loan from the seller and former landlord, Bruil, of €4m. The loans fully financed the purchase of the land and buildings associated with the Group's Accoya® plant and logistics centre in Arnhem. The financing terms will result in a lower overall income statement charge over the next 20 years and ownership of the land is expected to provide enhanced strategic options, operational security and greater flexibility in respect of the use of the land. The purchase replaced the previously held finance and operating lease which was terminated in the year. The net impact of the above transaction was to increase Property, plant and equipment by €9.8m with net debt increasing by €10.9m.

The first €3m of the Tricoya® RBS €17.2m (€15m net) facility was drawn down during the year, as anticipated, in conjunction with funding the ongoing construction of the Tricoya® plant in Hull.

The remainder of the Tricoya® RBS facility remains as available headroom, as well as €4.2m available headroom on the €6m working capital facility with ABN AMRO.

Going concern

These consolidated financial statements are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, and at least 12 months from the date these financial statements are approved.

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future taking into account the banking and finance facilities which are currently in place (see note 29 for details of these facilities). These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of ongoing working capital items in line with internally agreed budgets. The Directors have also considered the level and timing of capital expenditure required in relation to the new plant in Hull which is currently being built and further expansion of the Arnhem operation (with further details of the required capital expenditure and how this is to be financed to be confirmed as the detailed planning progresses).

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control, there is no material uncertainty. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to achieve the Group's medium and long term objectives including reducing/deferring costs in some discretionary areas.

Therefore the Directors believe that the going concern basis is the most appropriate on which to prepare the financial statements.

William Rudge

Finance Director

24 June 2019



Image Removed

Charred Accoya® wood for cigar lounge in Malaysia

A cigar lounge at architectural and design firm Quirk & Associates headquarters in Malaysia makes stunning use of Accoya® wood. Made by surface charring according to the Shou Sugi Ban method, this is the first time Zwarthout's Marugame RAW product with a pigeon hunter profile has been used in Malaysia.

Location: Malaysia

Manufacturer: Zwarthout

Find out more about this project on www.accoya.com

Strategic Report

Sustainability Report

Background Removed

A strong belief that we have a collective social responsibility to use and develop our technology to tackle climate change and prevent pollution lies at the very core of our business.

Our Corporate Vision

A strong belief that we have a collective social responsibility to use and develop our technology to tackle climate change and prevent pollution lies at the very core of our business. Our innovative acetylation technology enables us to sustainably manufacture high performance, non-toxic wood products that make a material difference to the environment as well as offer 'best in class' durability, dimensional stability and a wide spectrum of other advantages over alternative fossil fuel dependent or man-made products. This values-led vision also provides an attractive opportunity for our employees, distributors, licensees and other stakeholders. We want to ensure that our business is not only a commercial success, but also run in a responsible fashion as we continue to advance technologies for a better world.

Accsys has already developed and is commercially producing Accoya® solid acetylated wood. We have developed the process for the production of Tricoya® acetylated wood elements, used for the production of panel products. We are committed to increase the use of these products globally through sales from our manufacturing facilities, and on a substantially larger scale by licensing our technologies to other companies so that they too can manufacture these sustainable wood-based products.

Accsys aims to reduce the use of environmentally unfriendly building materials and products by the utilisation of our propriety technology and the introduction of our products around the world. The planet continues to consume endangered materials like tropical hardwood and non-renewable, high emitting building materials such as plastics, concrete and metals at an alarming rate. Our acetylated wood products offer alternative, sustainable new materials that resolve many of the environmental limitations

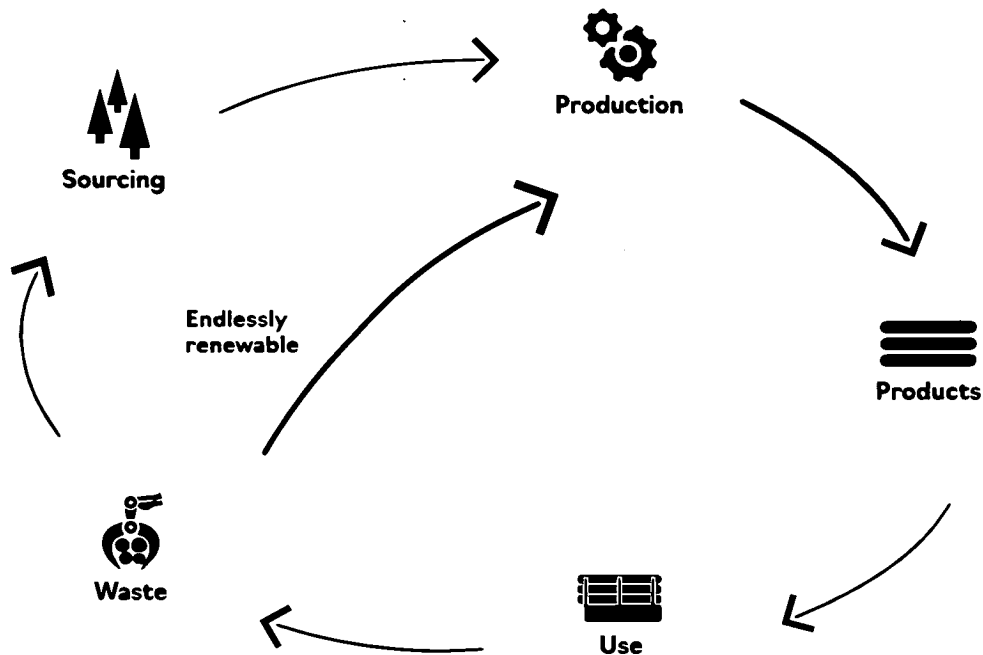
that commonly used building materials have, whilst not compromising on performance. In fact, Accoya® is the only building product perfectly fitting in the bio-cycle of the circular economy while having the same performance as typical techno-cycle building products such as plastics and metals which cannot be renewed and have a high carbon footprint.

Accsys is also committed to continuing R&D concerning our products (applications and new wood species) and processes. This ongoing development is designed to increase the use and improve the environmental and efficiency benefits of our products. This will ensure we continue to respond to the growing global ambition of consumers to live sustainably, reduce the growth of plastic pollution and tackle climate change and in turn will benefit many of our stakeholders.

Our products and the environment

The main environmental benefit of our Accoya® and Tricoya® acetylated wood products is their use as a substitute for other environmentally damaging products including chemically treated woods that use toxic preservatives, unsustainably sourced tropical timbers and materials produced from energy intensive or non-renewable resources such as metals (for example, steel and aluminium) and plastics (such as PVC).

Circular Economy Based on Renewable Materials (Bio-cycle)



A circular economy is one that is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles.

Source: Ellen MacArthur Foundation

Bio-cycle and techno-cycle are the two cycles within the circular economy principles. Materials from the bio-cycle are organic whereas products from the techno-cycle are defined as from the man-made world.

Carbon footprint

During their growth, trees convert carbon dioxide (CO₂) through photosynthesis into cellulose and lignin and emit oxygen in the process. As a result, during their lifespan trees act as carbon sinks, as CO₂ is captured from the atmosphere and makes up approximately half of the dry weight stored in the wood of the tree. The carbon is stored in the living tree, but will also remain stored once the tree is felled and the wood of the tree is used for products such as Accoya® and Tricoya®. As a consequence, CO₂ is locked out of the natural carbon cycle during the lifespan of the wood or wood product. Through decay or incineration, the carbon will eventually be released again into the atmosphere in the form of CO₂.

In producing Accoya® wood, we improve this carbon capture mechanism in two ways. Firstly by using fast growing softwood species, such as radiata pine, as input for our acetylation process. Per hectare, more cubic metres of radiata pine can be grown (10 m³/ha/year) compared to other wood species. Consequently, a larger amount of carbon is sequestered compared to slow growing wood species.

Secondly, through the acetylation process the dimensional stability and durability (durability class 1 according to EN standard 350-1) of a wood species are improved considerably, lengthening the product lifespan. Thus Accoya® wood is able to act as a longer term carbon sink that needs less additional care, as compared to other woods. These unique properties allow us to provide a warranty on Accoya® wood for 50 years above ground and 25 years below ground (please see our Certificates of Warranty for full details).

For the complete story please watch our three minute movie: Accoya® – the sustainable building solution
www.youtube.com/accoya

Strategic Report

Sustainability Report continued**Accreditations****FSC® (CO12330)**

Of the various schemes for sustainable forestry available, the Forest Stewardship Council (FSC®) is regarded as the leading and most comprehensive certification programme available. Accoya® wood and MEDITE® Tricoya® Extreme are FSC® certified. FSC® certification is focused on benign environmental performance but also safeguards social interests for all stakeholders involved.

Cradle to Cradle® Certified

Accoya® is one of the very few building products to have acquired Cradle to Cradle Certified™ at the Gold Level. Cradle to Cradle® Certified provides a means to tangibly and credibly measure achievement in environmentally-intelligent design including the use of environmentally safe healthy materials and instituting strategies for social responsibility. Accoya® also received Platinum status for the category Material Health meaning manufacturers are trusted with the way to communicate their work towards chemically optimised products.

BREEAM & LEED

BREEAM and LEED are globally adopted and recognised green building certification systems. Both are based on various building related environmental indicators including sustainable energy, water and material use. For the latter category the application of Accoya® can contribute to several credits in both schemes.

Dubokeur®

The awarding body of the prestigious Dubokeur® certification, Nederland's Institute for Building Ecology (NIBE), issues certificates only to the most environmentally-friendly products within a particular application, taking into account a range of stringent factors based on LCA methodology. This certification is of particular significance to our Dutch customers, unequivocally positioning Accoya® as an outstanding environmental choice for window frames according to Dutch sustainable building regulations.

Nordic Swan Label

The outstanding green credentials of Accoya® have been officially recognised by Europe's Nordic nations with the award of the Svanen Ecolabel. The label, renowned for its rigor and transparency, is the internationally recognised ecolabel for Norway, Sweden, Denmark, Iceland and Finland and was established in 1989 by the Nordic Council of Ministers.

Singapore Green Label

For the South East Asian market we have attained the highly regarded Green label of the Singapore Environment Council. The Singapore Environment Council (SEC) was set up to promote environmental awareness in South East Asia.

Future Build UAE

The Future Build is a green building materials portal that helps architects, engineers and contractors – particularly in the United Arab Emirates and wider region – confidently select and source environmentally sustainable, third party certified products to meet their projects' environmental objectives. Only products that have been assessed and selected according to standards and criteria set by Masdar City, Abu Dhabi, are listed. Accoya® was rated as excellent or A.

Declare

The International Living Future Institute manages the highly acclaimed and most rigorous proven performance-based standard for green buildings, the Living Building Challenge. The Declare label shows that Accoya® consists of greater than 99% of FSC® certified fast growing Radiata Pine, provides no problems in the End of Life phase and is fully safe regarding ingredients proven through the 'Red List Free' statement.

Strategic Report
Risk Management

The Board has overall responsibility for the management of risk at Accsys

As with all companies, the Group is exposed to a number of risks and uncertainties. We are acutely conscious that our ability to successfully identify, evaluate and mitigate those risks and uncertainties is of paramount importance as we seek to deliver on our ambitious growth strategy.

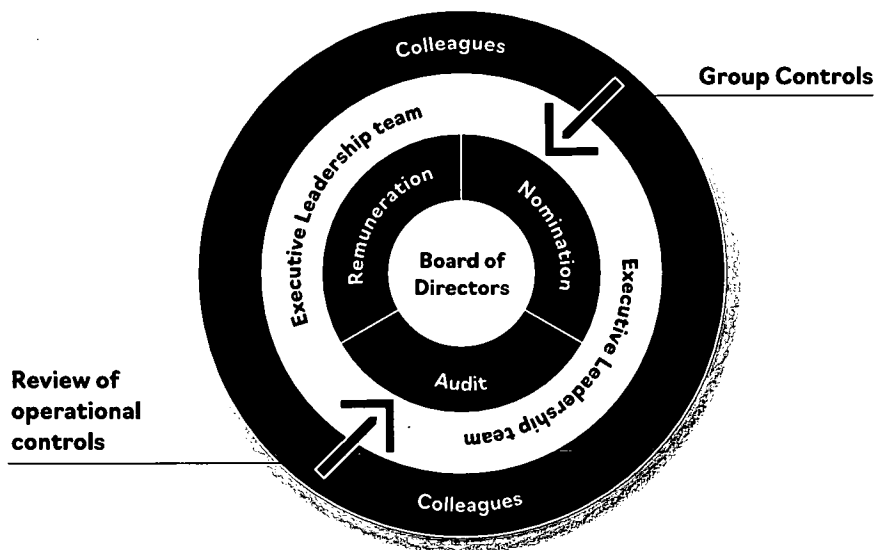
At Accsys, the Board is ultimately responsible for identifying, evaluating and mitigating the principal risks faced by the Group. Ongoing management of this process is delegated to the Audit Committee which has, over the last three years and since the appointment of its current Chairman, sought to improve and increasingly ensure Accsys' risk processes are focused and robust. In 2017 the Board began a review of the Terms of Reference for the Audit Committee which led to enhanced provision relating to risk, and in 2018, a new Risk Committee was constituted.

The Risk Committee reports to the Audit Committee on a regular basis, identifying updates to the risk register and areas of concern. The same is reviewed by the Audit Committee at its formal meetings ahead of onward reporting to the Board.

The Risk Committee, chaired by the Finance Director and encompassing the Senior Management Team, is responsible for considering risk on an ongoing basis and meets formally at least quarterly. The Risk Committee has developed a detailed risk register that, amongst other things, seeks to:

- identify and rank key risk areas;
- allocate a Senior Management Team member with day to day oversight of each risk;
- evaluate the likelihood and impact of each risk;
- identify steps that are being taken to mitigate the risk;
- traffic light those areas of particular concern.

Our risk management framework incorporates a top-down approach, setting the risk appetite and identifying our principal risks, and a bottom-up approach to identify our operational risks



All employees have a role in the management of risk within the Group

Strategic Report

Risk Management continued

The principal risks facing the Group and recorded on Accsys' risk register as at the date of this Report are included in the list below. The below is not exhaustive and as explained above, is subject to ongoing review and change and consequently should not be read as in any order of priority.

Risk and Description	Mitigation	Movement
Health, Safety and Environment		
The nature of the Group's manufacturing business and operation or construction of industrial plants that utilise chemicals under heat and pressure means HSE events at our sites such as injury, damage, explosion, contamination or death represent ongoing high level risks with potentially catastrophic impact.	Dedicated full time HSE Managers are appointed at both our Arnhem and Hull sites, who report to each site's operational manager, with monthly reporting and review to and by the Group's Executive Committee and on an ad hoc basis to the extent that events occur. Safety Management Systems are regularly reviewed, with a comprehensive audit programme (regulatory and internal) in place. Our aim is to continuously increase HSE awareness, and to that end, a Safety Awareness Programme has been launched for all Group personnel. HSE training for all personnel working in industrial areas is mandatory and a priority.	↔
Manufacturing		
The Group's ability to generate revenue and drive EBITDA relies heavily on its manufacturing capability. Operational down-time in Arnhem, and a failure to realise commercial operations at our new manufacturing facilities in Hull and elsewhere are likely to materially adversely impact our financial results and ability to grow.	At Arnhem, an increased emphasis on plant reliability and integrity, including more detailed failure analysis, structured preventative maintenance programmes and associated procurement of high impact spare parts are designed to mitigate down-time, as well as continually seeking to learn from our operational history. To mitigate further delays at our new plant in Hull, we have increased project management resource and implemented peer reviews of key design, construction and scheduling data.	↔
IT		
As an IP rich Group with manufacturing processes that depend on IT systems, a failure of IT security, continuity or inadequate management information may have a serious impact on the Group's business.	Accsys undertakes regular IT penetration testing and review of its IT systems and implements infrastructure upgrades where necessary. Staff training led by our dedicated IT Managers on IT security is mandatory.	↔

Movement in last 12 months

↔ No Change

↑ Higher

↓ Lower

Risk and Description	Mitigation	Movement
Sale of Products		
<p>Demand for our products now far exceeds supply. A failure to supply pent up demand risks customers adopting alternative technologies and products which may adversely impact demand for future production and sales growth.</p> <p>Sales of products may also be impacted by quality control failures which may lead to reputational damage.</p>	<p>During the last financial year, we completed the expansion of our Arnhem plant with a third reactor, which is now fully operational, increasing Accoya® production capacity by 50%. We are planning for the construction of a fourth Accoya® reactor and expect our Tricoya® plant in Hull to be operational in mid-2020 calendar year.</p> <p>We continue to evaluate other new manufacturing facilities, including in Malaysia with PETRONAS Chemicals Group, as well as the potential for a plant in the US.</p> <p>Product quality of all batches of Accoya® are checked as part of our quality control procedures, but in addition, we have recently invested in scanner technology to allow us to identify and reduce internal product issues, such as cracks, that would not otherwise be detected from the visual inspections that are also carried out.</p>	↑
Licensing/Partnering		
<p>A loss of demand for technology licences or interest in partnering with us for new plants may adversely impact our ability to realise value from our IP and grow in line with our strategy.</p> <p>Likewise, a failure of our existing licensees and business partners to perform as expected under the terms of their respective agreements is likely to be prejudicial to us.</p>	<p>Our dedicated business development team is mandated to develop strong relationships with actual and future counter-parts, with a view to developing a pipe-line of new business opportunities and develop and foster key relationships. Our sales, marketing and licensee support teams then seek to work with licensees with a view to assisting them in the growth of their Accoya® or Tricoya® businesses.</p>	↑
Supply of Raw Materials		
<p>As well as needing utilities, the production of Accoya® and Tricoya® requires the procurement and supply of two key raw materials: raw wood (whether in solid form or chip) and acetic anhydride.</p> <p>A failure to secure the supply of raw materials in the right volumes and at the right times will hinder our ability to produce and sell our products, which in turn is likely to materially adversely affect our revenue and EBITDA.</p>	<p>The Group has developed long term relationships with key suppliers of raw materials. Over the last few years, supply agreements have been entered into for both solid wood addressing our Arnhem needs and acetic anhydride for both our Arnhem and Hull plants. The Group is currently considering its wood chip supply needs ahead of commercial operation of the Hull plant in 2020.</p> <p>Our supply chain team work closely with our production and sales teams to ensure raw material supply is optimal, developing clear internal policies to that end, whilst keeping informed of and reviewing market dynamics and participants.</p>	↑

Strategic Report

Risk Management continued

Risk and Description	Mitigation	Movement
Finance		
<p>As with all businesses, a failure in financial planning may materially prejudice the Group. As Accsys continues to grow, its financing needs, both debt and equity, are likely to increase. A failure to secure appropriate finance, comply with agreed financing covenants and implement and operate robust internal systems and controls are all essential if the Group's growth aspirations are to succeed.</p> <p>There is also the risk the Group is adversely effected by the movement in foreign exchange rates, which may result in significant, unexpected financial gains or losses.</p>	<p>Significant internal time and attention is given to reviewing our financing needs as the Group continues to grow. Strong relationships have been formed and agreements entered into over recent years with both equity and debt providers so as to mitigate risk in this area.</p> <p>The Group's risk management strategy is to minimise the financial risk associated with exchange rate movements by using foreign exchange hedging. Where possible, the Group will use natural hedges where assets and liabilities exist in the same currency, otherwise it will use foreign exchange derivatives such as forward contracts to minimise the risk.</p>	↓
Protection of Intellectual Property and Trade Secrets		
<p>The Group's technologies, processes and products use and are distinguished by its proprietary and valuable intellectual property, including patents and trademarks, as well as trade secrets. A loss of its intellectual property or trade secrets, or failure to develop the same, may materially weaken the competitive advantage that the Group currently enjoys.</p>	<p>The Group's dedicated IP Manager, together with external IP attorneys, are responsible for maintaining and developing our IP portfolio. Ongoing reporting, monitoring and evaluation of research and development and other IP activity, both internally and externally helps ensure that the Group's IP is protected and grown. Confidentiality and IP Agreements are put in place with counter-parts to control risk and training given to Group personnel to help ensure awareness of the need to</p>	↑
Litigation and Disputes		
<p>Litigation and other disputes may require the investment of significant time and money to resolve, which even with a successful outcome, may be distracting or detrimental to the Group's interests during a period of growth. Disputes with key contractual counter-parts may also have broader adverse operational implications.</p>	<p>The Group seeks to mitigate the risk of disputes by developing strong relationships with key business counter-parts and keeping in regular communication with them on business matters, so as to address and resolve any issues at an early stage.</p>	↓

Movement in last 12 months

↔ No Change

↑ Higher

↓ Lower

Risk and Description	Mitigation	Movement
Personnel		
<p>The Group employs many highly experienced personnel that have deep knowledge of our business, technologies, processes and products. A loss of personnel who hold highly valuable information or who are highly knowledgeable about the Group may have a material adverse impact on us.</p>	<p>Detailed reviews of departmental needs aim to ensure that the Group is able to appropriately resource its organisational needs at a time of rapid growth. Evaluations are carried out to identify those functions that are of critical importance for the Group and individuals within those functions that are themselves critical and/or are considered of high potential.</p>	↓
<p>The highly qualified personnel required by the Group in various capacities are sometimes in short supply in the labour market. An inability to swiftly replace personnel that leave the Group or expand our workforce with additional personnel may limit the rate at which we are able to grow our business.</p>	<p>The Group also operates a long term incentivisation plan and has constituted an employee benefit trust, both of which seek to reward, incentivise, motivate, attract and retain critical personnel by way of share based awards with deferred vesting.</p>	
Governance, Compliance and Law		
<p>A failure to maintain appropriate governance structures may lead to poor decision making and operational performance and/or may increase the risk of the Group failing to comply with law and regulation and appropriately adapt to changes in law and regulation that are relevant to it.</p>	<p>As noted on page 44 in this document, in 2018, Accsys carried out a review of corporate governance. As a result of that review, it has adopted the QCA Corporate Governance Code, which it now reports against on a comply or explain basis. In addition to the disclosures set out in these Report and Accounts, Accsys' current Statement of Compliance relating to the QCA Code explains how Accsys complies with the Code and in turn mitigates risk. A copy of our current QCA Compliance Statement can be found at https://www.accsysplc.com/qca-compliance/</p>	↓
Investor and Public Relations		
<p>The loss of the support and confidence of shareholders, suppliers and customers arising from either our own poor performance or from the actions of third parties may result in a diminished ability for us to raise new capital and implement new projects to grow our business.</p>	<p>The Group seeks to keep in regular contact with its key stakeholders through a variety of means, including public shareholder and trade announcements, face to face meetings, investor days and live bi-annual web-cast presentations of financial results amongst others. In doing so, the Group seeks to keep stakeholders informed on a regular and transparent basis which in turn is designed to mitigate risks in this area.</p>	↓
	<p>Accsys has recently appointed both an internal Investor Relations professional, as well as a second broker, Investec Bank PLC, who each now work alongside our other broker Numis Securities, with a mandate to grow our investor base, access to capital and share price for the benefit of all shareholders. The Group is also currently seeking to enhance its internal and trade communications capability with the appointment of new personnel and communication agencies.</p>	

Background Removed



We chose to use Accoya® wood because of its very light colour, its durability and its great dimensional stability. We applied a clear Teknos coating on the wood to further prolong the holding of its natural hue.”

Charlotte Brussieux, Kengo Kuma

Changing wood to change the world in

Europe

'NIWA' residence - Vanves, France

Inspiring residential development features Accoya® wood

In collaboration with Japanese architect Kengo Kuma and Michel Desvigne, both internationally renowned landscapers, the Niwa real estate programme (garden in Japanese) has just opened near Paris. This programme was overseen by Bouygues Immobilier, and Accoya® wood was selected as the natural choice for the pergolas and sunshades.

The programme was spread over four fragmented levels: the higher the height, the larger the façade, allowing the creation of large terraces with green spaces, offering visual breakthroughs on an interior Japanese garden style.

The building was constructed with a reduced carbon footprint and the strong presence of plants, and the installation of an automated pneumatic waste collection system, contributed to the quality of this urban development. The choice of sustainable and environmentally friendly materials such as Accoya® was also part of the specification.

The architect chose to apply a Teknos coating to the Accoya® sunshades in order to preserve its light colour and natural appearance. They dress the façades and gently let in the light, contributing to the freshness in these apartments. Accoya® pergolas above the entrance porches also provide a naturally framed glimpse of the interior garden, while providing subtle shade and cover.

Location: Vanves, France

Architect: Kengo Kuma

Europe revenue

€59.6m ↑ **27%**
(vs 2018)

Image © Thierry Favatier

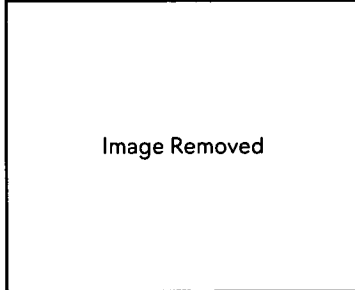
Corporate Governance

- 40 Board of Directors
- 42 Senior Management Team
- 44 Chairman's Introduction
to Governance
- 46 Corporate Governance
- 49 The QCA Corporate Governance
Code
- 54 Remuneration Report
- 69 Directors' Report
- 73 Statement of Directors'
Responsibilities

Image Removed

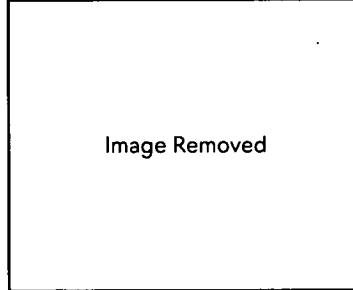
Governance

Board of Directors



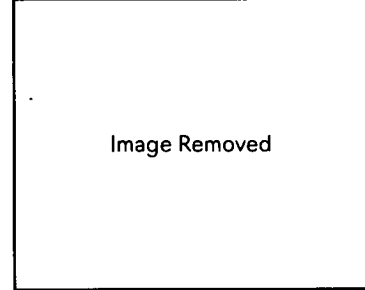
Patrick Shanley

Non-Executive Chairman



Paul Clegg

Chief Executive Officer



William Rudge

Finance Director

Background and Experience

Patrick, born April 1954, has extensive board room experience in the chemicals sector, having previously been Chief Financial Officer of Courtaulds PLC and Acordis BV, Chief Executive Officer of Corsadi BV, Chairman of Cordenka Investments BV and Chairman of Finacor BV. With effect from 2nd December 2015, Patrick has been appointed Non-Executive Chairman of Gattaca PLC (formerly Matchtech Group PLC). Patrick began his career working for British Coal where he qualified as a Chartered Management Accountant. He has a strong operational, restructuring, merger and acquisition background within a manufacturing environment.

Paul, born May 1960, assumed the role of Chief Executive Officer on 1 August 2009. Paul had been a Non-Executive Director of the Group since April 2009 and had been working with the Group as part of the Chairman's Office since mid-2008. Prior to this, he was CEO of Cowen International, subsequent to its sale by Société Générale in 2006. Before this, he ran SG Cowen International, part of the Société Générale Group, from 2000 to 2006. Paul started in investment banking in 1981 at The First Boston Corporation. Since then he has held senior positions at various investment banks including James Capel and Schroders. Paul was previously a Non-Executive Director of Synairgen Plc.

William, born February 1977, had been the Financial Controller for Accsys since joining the Company in January 2010 before being appointed Finance Director on 1 October 2012. Prior to this he qualified as a chartered accountant with Deloitte in 2002 and subsequently gained a further six years' experience in their audit and assurance department, focusing on technology companies including small growth companies and multinational groups. William spent a year working at Cadbury PLC, including as Financial Controller at one of their business units, before joining Accsys in 2010.

External Appointments

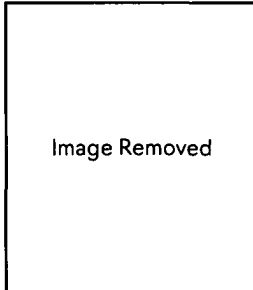
Non-Executive Chairman of Gattaca PLC

Non-Executive Director at Peel Hunt LLP

None

Committee Membership

Audit Committee
 Nomination Committee (Chairman)
 Remuneration Committee

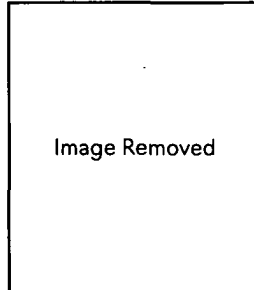


Nick Meyer
Non-Executive Director

Nick, born December 1944, has extensive board room experience in the timber industry, having previously been Chairman of Montague L Meyer Limited, Deputy Chairman and Chief Executive of Meyer International PLC. Nick is currently Executive Chairman of Consolidated Timber Holdings Group Limited, an innovative and substantial group of companies which imports, distributes and processes sustainable timber and timber products. Nick is also a former president of the Timber Trade Association of the United Kingdom.

Executive Chairman of Consolidated Timber Holdings Group Limited

Audit Committee
Nomination Committee
Remuneration Committee

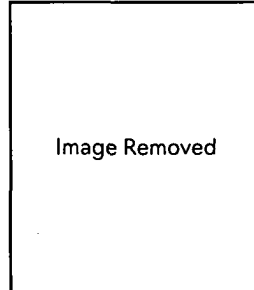


Sue Farr
Non-Executive Director

Sue, born Leap Year Day 1956 is a highly experienced marketing and communications professional who joined the Accsys Board in November 2014. Sue became part of the executive management team at Chime Communications PLC in 2003 and in 2017 was appointed as Special Advisor. Prior to that she was Europe MD of leading PR firm Golin Harris, the BBC's first ever Director of Marketing and Communications, and Director of Corporate Affairs for Thames Television. She was a Non-Executive Director of Motivcom PLC from 2008–2014, a Trustee of the Historic Royal Palaces from 2007–2013 and previously a Non-Executive Director of Dairy Crest Group PLC and Millennium & Copthorne Hotels PLC. She has been Chairman of both the Marketing Group of Great Britain and The Marketing Society. A previous Advertising Woman of the Year, she was awarded an Honorary Doctorate by the University of Bedfordshire in 2010.

Non-Executive Director of British American Tobacco PLC and Helical PLC

Audit Committee
Nomination Committee
Remuneration Committee (Chairman)

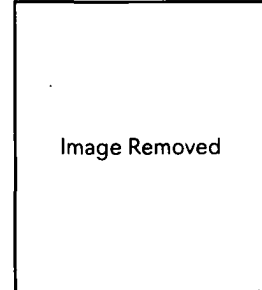


Sean Christie
Non-Executive Director

Sean, born October 1957, was Group Finance Director of Croda International PLC from 2006 to 2015, a global manufacturer of speciality chemicals. Prior to joining Croda in 2006, Sean was Group Finance Director of Northern Foods PLC. He also served as a Non-Executive Director of KCOM Group PLC until 2007, of Eminate Limited, a wholly owned subsidiary of The University of Nottingham, of Cherry Valley Farms Limited until its sale in 2010 and of Produce Investments PLC. He is a Fellow of both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. Sean has extensive knowledge of all aspects of finance and strategy in major businesses and is an experienced Audit Committee Chairman.

Non-Executive Director of Applied Graphene Materials PLC, Turner & Townsend Ltd and Optibiotix Health PLC

Audit Committee (Chairman)
Nomination Committee
Remuneration Committee



Trudy Schoolenberg
Non-Executive Director (Senior Independent Director)

Trudy has nearly 30 years' experience working for blue-chip companies in the chemicals, engineering and high performance product sectors, including over 20 years with Royal Dutch Shell where she led business strategy and growth plans for Shell Chemicals, a business unit with a multi-billion dollar turnover. She joined the Accsys Board on the 1st April 2018. As well as strategy and growth experience, Dr Schoolenberg has strong operational knowledge, gained both during her time at Shell and thereafter at Akzo Nobel, where following supply chain and research and development roles on Akzo's \$4 billion decorative paints Board, she subsequently had responsibility for delivering a new manufacturing plant in Newcastle.

Non-Executive Director of The Netherlands Petroleum Stockpiling Agency (COVA), Spirax-Sarco Engineering PLC (Senior Independent Director) and Low & Bonar PLC (Senior Independent Director)

Audit Committee
Nomination Committee
Remuneration Committee

Governance

Senior Management Team

We believe that our employees are key to our success and our high staff retention is reflective of their commitment to the future of the Company. Group activities are driven and managed by a Senior Management Team of which we are particularly proud. Experts in their fields, the Senior Management Team boasts a broad range of sector knowledge and specialism. Committed to ensure we deliver on our plans for growth and commercial success; it's their hard work and advice that has supported Accsys Technologies PLC's growth.

The Senior Management Team includes the two Executive Directors and the following individuals:

Image Removed	Image Removed	Image Removed	Image Removed
<p>Hans Pauli Director of Corporate Development*</p>	<p>Angus Dodwell Legal Counsel and Company Secretary*</p>	<p>Eddie Pratt Director of Business Development</p>	<p>Hal Stebbins Director, Quality, Supply Chain & Customer Service</p>

Experience

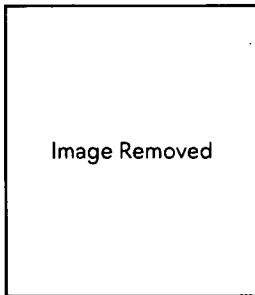
Hans has held senior financial positions across the banking and bio-tech sectors and has significant experience in investment, manufacturing, licensing and distribution. Hans holds a BA in Business Administration and has completed an MA in Fiscal Economics from the University of Amsterdam. His commercial career began in the banking sector where he worked for various institutions including Barclays, where he gained investment and M&A experience. He then worked for a number of bio-tech companies, including, most recently, Euronext listed OctoPlus N.V.. Hans is a Non-Executive Director of BioTech VC, MedSciences.

Angus is responsible for all legal matters with the Accsys Group and is Company Secretary. Angus qualified as a corporate solicitor with international law firm Ashurst Morris Crisp (now known as Ashurst LLP) in September 2002. After gaining further experience in private practice, he has since spent over ten years working in-house for growth companies, advising on a broad range of corporate, commercial and other business matters. Angus joined the Group in September 2008 and is based in London.

Eddie has been with Accsys since 2003, and uses his in-depth knowledge of Accsys to develop new markets and partnerships for Accsys and its branded products. Eddie's earlier career was in investment banking, receiving his training with JP Morgan and working at its affiliate Saudi International Bank where he specialised in corporate and project finance.

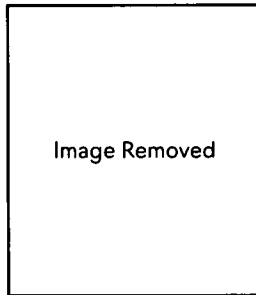
Hal has spent most of his career leading global marketing, sales, and services operations for a variety of businesses including IBM's forest products solutions team. When he joined Accsys in 2007, Hal was initially responsible for the Group's first worldwide marketing strategy. Since then Hal has led the growth of our international distributorship and licensing management. Currently he leads teams responsible for wood and chemical supply critical to production, customer service, and quality assurance.

Note: * are also member of the Executive Committee



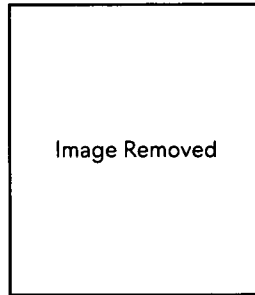
John Alexander
 Director of Sales and Product Development

John is responsible for Group sales and product development, managing a team across the globe. Following degrees in Forestry and Forest Products plus an MSc in Timber Engineering, John's career in the wood product industry started at Jeld-Wen, USA, the world's largest manufacturer of windows and doors. He then moved to BSW Timber, the largest forestry and sawmilling group in the UK before joining Accsys in 2010 as Head of Product Development. John took on his current role in 2015.



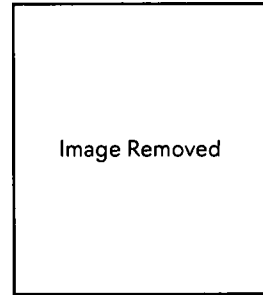
Wim Dokter
 Site Director – Manufacturing and Engineering*

Wim joined Accsys in January 2019, overseeing the Arnhem plant including management of all facets of the day to day manufacturing, production and processes. He holds a PhD from Technical University Eindhoven and has built a broad experience base in operations leadership and transformation, having worked for various companies in the chemical and food industries, with responsibilities for manufacturing, technology, maintenance and engineering. He has developed specific expertise in operations excellence and continuous improvement/Lean Management.



Natalia Bikkenina
 Head of Human Resources*

Natalia is responsible for all aspects of global HR, including responsibility for developing a comprehensive global HR strategy which supports business growth and expansion, attracts and retains top talent and drives high performance. Natalia joined the Accsys Group in September 2017 having worked in a number of international industrial and technology businesses. In her role, Natalia will also use her experience of working for start-ups and high growth companies to facilitate the Group expansion plan. Natalia has a degree in Languages and an MBA.



Pierre Lasson
 General Manager Tricoya Technologies Limited*

Pierre holds a PhD in chemical engineering and has more than 30 years' experience in the petrochemical industry. Before joining Accsys in 2015, Pierre has held various positions in research, production, product development, business management, and sales and marketing for global petrochemical companies such as Solvay, BP Solvay Polyethylene, BP, Innovene, and Ineos. He was appointed General Manager of Tricoya® Technologies in 2012 and has led the company since its inception. He is also the General Manager of Tricoya Ventures UK Limited.

Governance

Chairman's Introduction to Governance

"The Board believes that leadership and governance play a key part in achieving its strategic aims."

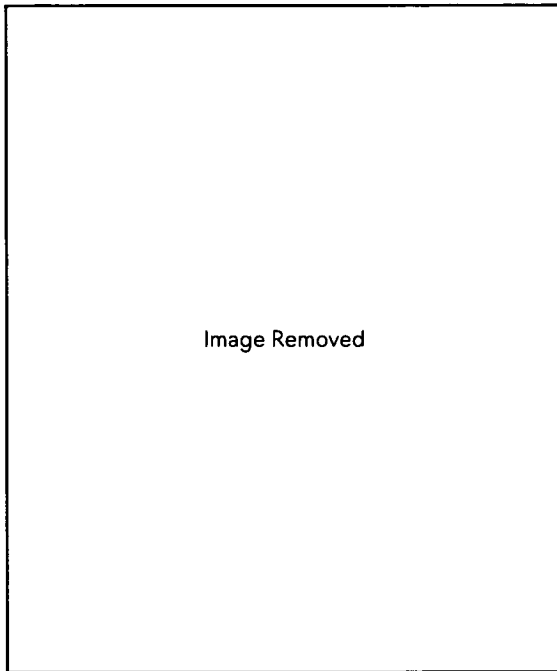


Image Removed

→ See our Compliance with the QCA Corporate Governance Code on pages 49 to 53

Dear fellow shareholder, you will have seen my introduction to the Annual Report and read the Strategic Report on pages 12 to 37. Here I wish to provide some further detail on the key areas of focus for us during the year:

QCA Code adoption

In 2018 Accsys conducted a corporate governance review in preparation for the changes to governance requirements for AIM companies (AIM Rule 26). As a result of such review the Company adopted the QCA Code and shall follow and report against the QCA Code on a comply-or-explain basis.

At Accsys, we hold a strong belief that we have a collective social responsibility to use and develop our technology to tackle climate change and pollution, and such belief, together with health and safety, remains a fundamental priority of our business. Our innovative acetylation technology enables us to sustainably manufacture wood products that make a material difference to the environment as well as offer 'best in class' durability, dimensional stability and a wide spectrum of other advantages over alternative fossil fuel dependent or man-made products. This values-led vision also provides an attractive opportunity for our employees, distributors, licensees and other stakeholders. We want to ensure that our business is not only a commercial success, but also run in a responsible fashion as we continue to advance technologies for a better world.

Since our values are based on 'changing wood to change the world', the Board believes that leadership and governance play a key part in achieving its strategic aims, and providing long term benefit and success for the business and our shareholders. As such, corporate governance and social responsibility lies at the very core of our business and it is the Board's job to ensure that corporate governance and social responsibility remains a key focus.

Key Governance Changes during the Year

During the financial year there were two key changes to our Board composition and a change to our Management structure:

Firstly, following an independent review of the Board and its Directors, Dr Trudy Schoolenberg was appointed to the Board on 1 April 2018 as a Non-Executive Director to add operational expertise and also carry out the role of Senior Independent Director. More information on Trudy's background is set out on page 41.

Secondly, the combined Nomination and Remuneration Committee was disaggregated into a separate Nomination Committee and Remuneration Committee with effect from 1 January 2019, allowing for more focused and dedicated time to be spent to on each important area of Board and Executive Team composition and remuneration respectively. The terms of reference for each Committee have also been updated and are available on the Corporate Governance page of our website, www.accsysplc.com.

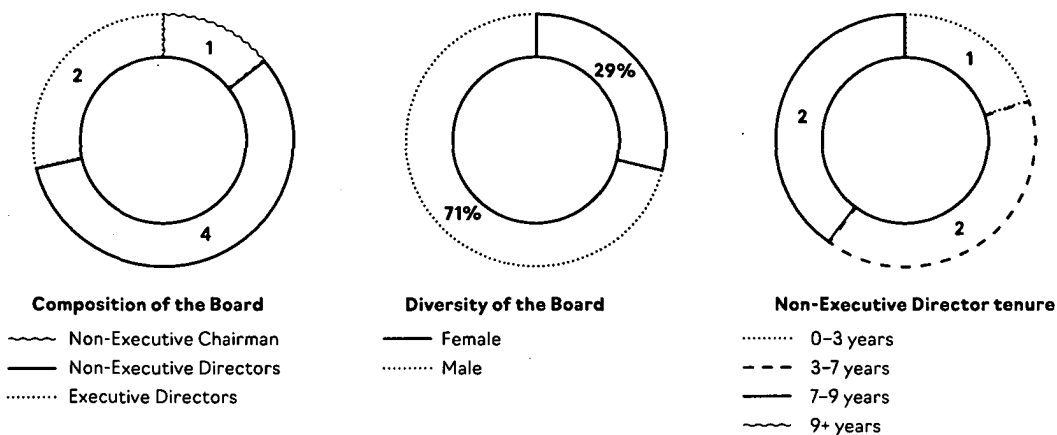
Finally, in addition to our Senior Management Team (which continues to function as before), we constituted an Executive Committee, comprised of the Executive Directors, the Company Secretary and certain other members of the Senior Management Team, with responsibility for implementing all key strategic initiatives determined by the Board and providing clear direction to the Group with the aim of connecting our day to day operations with our broader strategy. This change comes about as a result of our accelerating growth, the increasing complexity of our business, and to improve the efficiency of managing the Group.

In the statements in this section we outline the Company's approach to corporate governance and the QCA Code. For further detail on each section please refer to the Statement of Compliance of the QCA Code which can be found at <https://www.accsysplc.com>.

Patrick Shanley

Non-Executive Chairman

24 June 2019



Governance

Corporate Governance

Further details of the Company's corporate governance arrangements are set out below:

The Board of Directors

During the year the Board comprised a Non-Executive Chairman, one Senior Independent Non-Executive Director, three further Non-Executive Directors and three Executive Directors. The Board ended the financial year with two Executive Directors with Hans Pauli resigning as a Director on 31 December 2018.

The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

During the year, all serving Directors attended the scheduled Board meetings that were held. In addition to the scheduled meetings, a number of ad hoc meetings were also convened and there is frequent contact between all the Directors in connection with the Company's business including Audit, Nomination and Remuneration Committee meetings which are held as required, but as a minimum twice per annum.

Directors are subject to re-election by the shareholders at Annual General Meetings. The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and the Board submit to re-election at intervals of three years.

Day to day operating decisions are made by the Senior Management Team of which the Chief Executive Officer and Finance Director are members.

Audit Committee composition, role and report for the year

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. The responsibilities of the Audit Committee include approving certain related party transactions, and identifying irregularities in the management of the Company's business, inter alia, through consultation with the Company's external auditors, and remedial measures to the Board of Directors. The Audit Committee considers the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services.

The Audit Committee meets at least twice a year and has unrestricted access to the Company's auditors. Currently, the members of the Audit Committee are Sean Christie (Chairman), Patrick Shanley, Nick Meyer, Trudy Schoolenberg and Sue Farr.

Key matters addressed by the Committee during the year

- Financial reporting:
 - review of the integrity of key financial announcements (including the interim results);
 - review of the Annual Report and Financial Statements to confirm the report as a whole was fair, balanced and understandable;
 - reviewed and discussed PwC's reports to the committee;
 - reviewed the going concern basis of accounting and the longer-term forecasts;
 - reviewed new accounting pronouncements and any potential impact for the Group's financial reporting.
- External audit matters:
 - reviewed the independence, objectivity and effectiveness of PwC;
 - reviewed PwC's external audit plan taking account of the scope, materiality and audit risks and agreeing the audit fees;
 - monitored the value of non-audit services provided by PwC, ensuring the services do not affect the auditors' objectivity and independence.

- Risk management:
 - undertook a detailed review of the Group's risk register and the related mitigations, ensuring that risks are appropriately identified, evaluated and mitigated, as appropriate. See Risk section from page 33.
- Corporate governance:
 - reviewed changes in the field of corporate governance and the most appropriate corporate governance code for Accsys to adopt and report against.

Nomination Committee

The Nomination Committee regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, consults and advises on the same in relation to the Executive Committee, and makes recommendations with regard to any changes to the Board and consults and advises regarding material changes to the Executive Committee. In exercising this role, the Directors shall have regard to the recommendations put forward in the Quoted Companies Alliance Corporate Governance Code. Currently, Patrick Shanley chairs the Nomination Committee and the other members are Sue Farr, Sean Christie, Trudy Schoolenberg and Nick Meyer.

Remuneration Committee

The Remuneration Committee has primary responsibility for the determination of the framework or broad policy for the remuneration of the Chair and Executive Directors, including pension rights and compensation payments. It also consults and advises on the same in relation to the Executive Committee. It will also review the performance of the Executive Directors and determine matters relating to their remuneration. Engagement of the Company with its Directors regarding the terms of their remuneration, require approval of the Remuneration Committee. The Remuneration Committee approves the granting of share options and other equity incentives to the Executive Directors pursuant to any share option scheme or equity incentive scheme in operation from time to time, as well as the overall amount of any share awards to the Executive Committee. Currently, Sue Farr chairs the Remuneration Committee and the other members are Patrick Shanley, Sean Christie, Trudy Schoolenberg and Nick Meyer.

Internal financial control

The Board is responsible for establishing and maintaining the Company's system of internal financial control and places importance on maintaining a strong control environment. The key procedures which the Directors have established with a view to providing effective internal financial control are as follows:

- the Company's organisational structure has clear lines of responsibility;
- the Company prepares a comprehensive annual budget that is approved by the Board. Monthly results are reported against the budget and variances are closely monitored by the Directors;
- the Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

The Directors recognise, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss.

Relation with shareholders

Communications with shareholders are given high priority.

There is regular dialogue with shareholders including presentations after the Company's preliminary announcement of the year-end results and six monthly results. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman aims to ensure that the Directors are available at Annual General Meetings to answer questions.

Governance

Corporate Governance continued

Directors' attendance record

The attendance of individual Directors at meetings of the Board and its Committees in the year under review was as follows:

Number of meetings	Board ¹		Audit Committee ²		Nomination & Remuneration Committee ³		Nomination Committee ⁴		Remuneration Committee ⁵	
	Attended	Serving	Attended	Serving	Attended	Serving	Attended	Serving	Attended	Serving
Sean Christie	8	12	3	3	3	3	2	2	3	3
Paul Clegg	12	12	3	-	2	-	1	-	2	-
Sue Farr	7	12	3	3	3	3	2	2	3	3
Hans Pauli	5	9	1	-	-	-	-	-	-	-
Patrick Shanley	9	12	3	3	3	3	2	2	3	3
Nick Meyer	6	12	3	3	3	3	2	2	3	3
William Rudge	12	12	3	-	2	-	1	-	1	-
Trudy Schoolenberg	7	12	3	3	3	3	2	2	3	3

Whilst all Directors are not members of the Board Committees they attend by invitation.

Figures in the left hand column denote the number of meetings attended and figures in the right hand column denote the number of meetings held whilst the individual held office.

Notes

1. During the year there were eight full Board meetings, three of which were convened on an ad hoc basis. In addition four ad hoc meetings of a Committee of the Board of Directors were convened. William Rudge and Paul Clegg attended all full Board and Committee meetings. Patrick Shanley attended seven full Board meetings and two Committee meetings. Sean Christie attended six full Board meetings and two Committee meetings. Sue Farr attended six full Board meetings and one Committee meeting. Nick Meyer attended six full Board meetings and no Committee meetings. Trudy Schoolenberg attended six full Board meetings and one Committee meeting. Hans Pauli who resigned as a director on 31 December 2018 attended four out of the five full Board meetings held during his tenure as a Director and one Committee meeting.
2. Messrs Clegg and Rudge attended for part of the Audit Committee meetings held on 12 June 2018, 13 November 2018 and 21 March 2019. Hans Pauli attended part of the Audit Committee meeting held on 13 November 2018.
3. Until the 31 December 2018 the Nomination and Remuneration Committee served a dual purpose but the functions were then split into two separate Committees as of 1 January 2019. Paul Clegg was in attendance for the whole of the meeting of this Committee held on 16 May 2018 while William Rudge was in attendance for part only. Messrs Clegg and Rudge attended the entire meeting of this Committee held on 11 June 2018.
4. The Nomination Committee was constituted as a separate Committee following the split of the functions previously carried out by the Nomination and Remuneration Committee on 31 December 2018. Paul Clegg attended one meeting of this Committee held on 21 March 2019 with William Rudge attending part of this meeting.
5. The Remuneration Committee was constituted as a separate Committee following the split of the functions previously carried out by the Nomination and Remuneration Committee on 31 December 2018. Messrs Clegg and Rudge attended the whole of the meeting of this Committee held on 11 March 2019. Paul Clegg was in attendance for the whole of the meeting of this Committee held on 21 March 2019.

Governance

The QCA Corporate Governance Code

Set out below are the ten principles of the Code and a summary explanation of how the Company currently complies with each key principle.

Governance Principle	Compliant	Explanation	Further Reading
1. Establish a strategy and business model which promote long-term value for shareholders	✓	<p>The Company's strategy is to i) drive revenue growth by increasing the Accoya® and Tricoya® volume sold and number of distributors by developing market opportunities into core business; ii) grow manufacturing capacity; iii) develop its people and organisational capability to enable Accsys to meet its growth objectives; and iv) develop technology and IP programmes to focus on value and growth, and to manage risk.</p> <p>Further information on our business model and strategy can be found at page 20 to 23.</p> <p>Our Statement of Compliance explains in further detail the Company's key strengths which in turn promote long-term value for shareholders.</p>	<p>See pages 20 to 23 for information on our business model and strategy.</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.</p>
2. Seek to understand and meet shareholder needs and expectations	✓	<p>Communications with shareholders are given high priority to ensure that its strategy, business model and performance are clearly understood. There is regular dialogue with shareholders including webcast presentations after the Company's preliminary announcement of the year-end results and six monthly results, regular Regulatory News Service announcements and trading updates.</p> <p>During 2019, the Chairman and the Senior Independent Director invited the Company's ten largest shareholders to meet to discuss areas of importance, providing key shareholders with an opportunity to give feedback to the Board and discuss any areas of concern.</p> <p>Accsys also organises bi-annual investor roadshows in the UK and Netherlands offering significant shareholders an opportunity to discuss the business, management and strategy of the Company with the Executive Directors. It also remains informed of shareholders' views via regular dialogue with its corporate brokers.</p> <p>The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairs of the Board and all Board Committees, together with all other Directors, routinely attend the AGM and are available to answer questions from investors.</p>	<p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.</p>

Governance

The QCA Corporate Governance Code continued

Governance Principle	Compliant	Explanation	Further Reading
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	✓	<p>The Company's business model identifies that investment in key resources on which the business relies – Accsys' intellectual property, expertise, innovation, research and development, branding, employees and relationships with numerous third parties including business partners, equipment manufacturers, wood suppliers, distributors and customers – underpins all that Accsys does. Investment from the Company's other key stakeholders, its shareholders and finance providers, makes this possible.</p> <p>The Board are regularly updated on engagement and feedback from Accsys' stakeholders to enable the Board to consider such views during relevant decision making processes. In addition, during 2019 the Board invited all personnel to attend 'Meet the Board Lunches' at its London, Arnhem and Hull offices, providing an informal forum to facilitate and encourage engagement and open dialogue between the Board and the Company's workforce. Following good attendance and positive feedback thus far, the intention is to repeat these informal lunches on an annual basis.</p> <p>Accsys is also aware of the impact its business and operations have on the wider community and places great importance on community and social responsibility. The Company is committed to continuing research and development concerning its products and processes.</p>	<p>See pages 20 to 21 and 30 to 32 for further information on stakeholder and social responsibilities.</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy and Modern Slavery Statement.</p>
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	✓	<p>The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings.</p> <p>The Board is responsible for establishing and maintaining the Company's system of internal financial control and places importance on maintaining a strong control environment. The key internal procedures which the Directors have established with a view to providing effective internal financial control include clear lines of responsibility within the organisation structure, a comprehensive annual budget that is approved by the Board and the identification of major business risks to enable appropriate action. Furthermore, monthly results are reported against the budget and variances are closely monitored by the Directors.</p> <p>The Audit Committee is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.</p> <p>The Risk Committee regularly meet and update a risk register which outlines the nature of the risk and any mitigating factors required to protect against such risks. The Risk Committee reports on the risk register to the Audit Committee and thereafter the Audit Committee reports on the same to the Board.</p> <p>The process to mitigate risks within the business can be found at pages 33 to 37.</p>	<p>See pages 33 to 37 for further information on risk and risk management.</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy, Modern Slavery Statement and Terms of Reference Audit Committee.</p> <p>See the Audit Committee Report at page 46.</p>

Governance Principle	Compliant	Explanation	Further Reading
5. Maintain the Board as a well-functioning, balanced team led by the Chair	✓	<p>The Board comprises of the Non-Executive Chairman, four other Non-Executive Directors, one of whom acts as Senior Independent Director, and two Executive Directors. All Non-Executive Directors (including the Chairman) continue to be considered to be independent and are able to scrutinise matters and challenge the Executive Directors on an unencumbered basis.</p> <p>The Board has constituted three standing Committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, with ad hoc committees constituted as required. Further information on the Board's committees is provided for on pages 46 and 47.</p> <p>In addition to regular scheduled Board meetings, there is frequent contact between all the Directors in connection with the Company's business including Audit, Nomination and Remuneration Committee meetings which are held as required, but as a minimum twice per annum.</p> <p>Non-Executive Directors' terms of appointment provide that they will spend as much time as necessary and/or reasonably requested by the Board for the fulfilment of their duties. This is anticipated to be in the order of 20 (or more) days per annum, although this is not definitive. All Executive Directors are engaged on a full time basis.</p> <p>Further information on the composition and roles of the Board can be found at pages 46 to 48, including attendance at, and number of, Board meetings and committee meetings.</p>	<p>See pages 46 to 48 for further information on the composition and role of the Board.</p> <p>See page 48 for further information on attendance at Board meetings.</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy, Modern Slavery Statement, Terms of Reference Audit Committee, Terms of Reference Nomination Committee and Terms of Reference Remuneration Committee.</p>
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	✓	<p>The Board is satisfied that it has the appropriate skills and balance of sector, financial and public markets skills and experience as well as an appropriate balance of personal qualities and capabilities and where appropriate each Director keeps his/her skills up-to-date, for example by the completion of the Group's online training programme, attendance at seminars, briefings and through literature.</p> <p>Biographies of Board members can be found on pages 40 and 41.</p> <p>Expert advisors support the Group's businesses and contribute relevant industry and commercial experience. These advisors are drawn from industry, finance, legal and other advisory groups. For example, Deloitte LLP (Deloitte) was appointed by the Nomination and Remuneration Committee as independent adviser to the Committee with effect from 9 January 2018 (before the Committee was disaggregated into two separate committees) and assisted the Board in the drafting of the new Remuneration Policy as approved at the 2018 AGM. Further information on the engagement and role of external advisors can be found in our Statement of Compliance of the QCA Code.</p> <p>All Directors have access to the advice and services of the Company Secretary and in-house Legal Counsel. Following an independent review of the Board and its Directors, Trudy Schoonenberg was appointed to the Board in 2018 as a Non-Executive Director to add operational expertise and also carry out the role of Senior Independent Director. In addition, procedures are in place to enable the Directors to obtain other independent professional advice (legal or otherwise) in the furtherance of their duties, if necessary, at the Company's expense.</p>	<p>See pages 40 and 41 for the biographies of Board members.</p> <p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.</p>

Governance

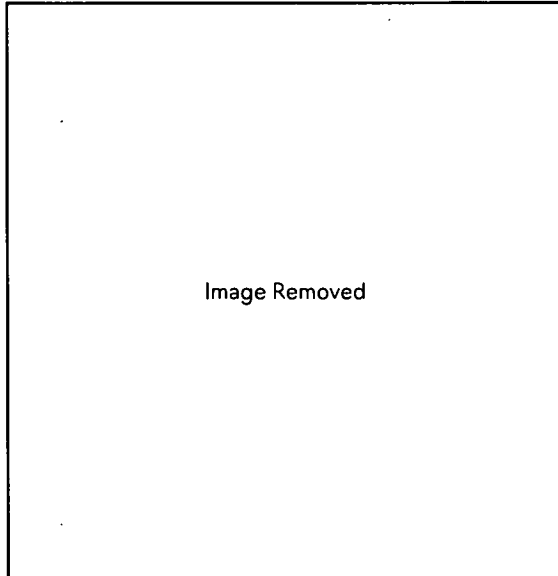
The QCA Corporate Governance Code continued

Governance Principle	Compliant	Explanation	Further Reading
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	✓	<p>The Board undertakes an annual review process whereby each Director completes a 'Board and Director Review and Evaluation Paper', ensuring that the Board regularly undertakes a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors.</p> <p>In addition, the performance of the Board, each Director and corporate governance generally was evaluated in 2017, by an independent corporate governance consultant. As noted above, this review precipitated the enhancement of the Board's operational expertise and the appointment of a Senior Independent Director with the appointment of Trudy Schoolenberg. Such external review will take place every three years, with the next review in 2020.</p> <p>The results of Board evaluation are shared with the Board as a whole while the results of any individual assessments remain confidential between the Chairman and the Director concerned. The results of the most recent Board evaluation were discussed at the Board meeting in March 2019 and no major concerns were identified.</p> <p>The results of the evaluation (both internal and external) otherwise determined that each Director continues to be effective and continues to demonstrate commitment to their respective roles.</p>	See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement.
8. Promote a corporate culture which is based on ethical values and behaviours	✓	<p>Since Accsys is an eco-friendly company that combines chemistry and technology to create high performance, sustainable wood building products, a focus on corporate and social responsibility lies at the very core of its business. This is further demonstrated in our Corporate and Social Responsibility policy (available at www.accsysplc.com 'Investors' page) and Sustainability Report on pages 30 to 32.</p> <p>Accsys aims to reduce the use of environmentally-unfriendly building materials and products by the utilisation of its propriety technology and the introduction of its products around the world. The planet continues to consume endangered materials like tropical hardwood and non-renewable, high emitting building materials such as plastics, concrete and metals at an alarming rate. Accsys' acetylated wood products offer alternative, sustainable new materials that resolve many of the environmental limitations that commonly used building materials have, whilst not compromising on performance. At present, Accoya® is the only building product perfectly fitting in the bio-cycle of the circular economy while having the same performance as typical techno-cycle building products such as plastics and metals which cannot be renewed.</p> <p>The strategy and business model of the Company in relation to ethical values is readily promoted throughout and evident from the Company's accreditations, a list of which can be found in the Statement of Compliance of the QCA Code.</p> <p>Accsys' approach to ethical values within the Group is further set out in its CSR Policy (available at www.accsysplc.com 'Investors' page) and the Company's 2019 Sustainability Report on pages 30 to 32 of this report.</p>	See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy and Sustainability Report.

Governance Principle	Compliant	Explanation	Further Reading
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	✓	<p>The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings.</p> <p>During the year, the Board meetings are usually held in London with site visits now scheduled to take place annually in Hull and Arnhem to ensure the Board has a deep understanding of the Group's operations. In addition to the scheduled meetings there is frequent contact between all the Directors in connection with the Company's business including Audit, Nomination and Remuneration Committee meetings which are held as required, but as a minimum twice per annum.</p> <p>Day to day operating decisions are made by an Executive Committee of which the Chief Executive Officer and Finance Director are members.</p> <p>The Board is responsible for the long-term success of the Company. There is a formal schedule of matters which are reserved for the Board, including matters relating to strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communications, board memberships, remuneration, delegation of authority, corporate governance and Group policies.</p>	<p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement, CSR Policy, Modern Slavery Statement, Terms of Reference Audit Committee, Terms of Reference Nomination Committee and Terms of Reference Remuneration Committee.</p>
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	✓	<p>The Company regularly communicates with shareholders including presentations after the Company's preliminary announcement of the year-end results and six monthly results and bi-annual webcasts. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation.</p> <p>Furthermore, the Company issues regular news to its stakeholders via RNS, all of which are displayed on the Company website (News). Other constitutional and governance information, including relating to shareholder meetings and the outcome of shareholder votes, can also be found on the Company Website (Corporate Governance).</p> <p>As noted above, the Board has constituted three standing Committees, the Audit Committee, Nomination Committee and Remuneration Committee, with ad hoc committees constituted as required.</p> <p>The Audit Committee Report can be found at page 46 and Remuneration Report can be found at page 54, each of which reviews the work of the respective committee during the year.</p> <p>As stated above, the combined Nomination and Remuneration Committee was disaggregated into a separate Nomination Committee and Remuneration Committee with effect from 1 January 2019. Since that date, both the Nomination Committee and Remuneration Committee have reviewed and updated their respective Terms of Reference. The Nomination Committee has also been engaged in the recent Board and Director evaluation carried out early in 2019 together with consideration of the Chairman's tenure as nine years of service approaches later this year.</p>	<p>See www.accsysplc.com ('Investors' page) for the Company's Corporate Governance QCA Compliance Statement and News.</p> <p>See the Audit Committee Report at page 46.</p> <p>See the Remuneration Report at page 54.</p>

Governance

Remuneration Report



**On behalf of the Board,
 I am pleased to present our
 Remuneration Report for the
 year ended 31 March 2019.**

We obtained shareholder approval for our Remuneration Policy at last year's AGM following a review of our remuneration framework and engagement with major investors. Limited changes were made to our Remuneration Policy last year and one year on the Board continues to believe that the Policy implemented is appropriate and the remuneration structure and mechanisms align shareholder and Executive Director interests as we continue in a period of rapid growth.

This year's Remuneration Report sets out the Remuneration Policy approved last year on pages 57 to 62 of the Report, with the remainder of the Report (pages 63 to 68) setting out how we propose to implement the Policy for the year ahead and

summarising the outcomes in respect of the year ended 31 March 2019. This part of the Report will be subject to an advisory vote at our AGM.

Remuneration outcomes for the year ended 31 March 2019

As discussed in detail on pages 17 and 18 of this Annual Report, the Group made progress in the year with the two key capacity expansion projects whilst maintaining momentum in sales growth despite the challenges of operating at production capacity for much of the year. The first part of the expansion of the Arnhem plant has been completed and the Tricoya® plant in Hull is due to be operational in mid-2020 calendar year although this is following a delay. The financial performance of the Group has improved, resulting in a positive EBITDA result for the year.

The annual bonus for the year was based on a combination of financial and operational objectives, with targets set at the start of the year. EBITDA fell between the minimum and maximum targets and therefore part of this component was awarded. Sales of Accoya® and strong progress in the execution of our Accoya® expansion programme resulted in a payout on those operational components together with sales growth which was constrained by production capacity. However the delay reported in respect of the Hull plant resulted in nil payment for that component. Overall, and taking into account personal performance, the bonus outcomes were between 25-70% of the maximum (25-70% of salary) for the Executive Directors. The Committee believes this outcome is an appropriate reflection of performance in the year.

Further detail on the individual outcomes and performance against the targets is set out on page 65 of this report.

There was no LTIP award vesting in the period to 31 March 2019. However the first LTIP award granted on a rolling annual basis in 2016, which was based on EBITDA measured to 31 March 2019 and share price growth (versus a comparator group) measured to the date of vesting, is due to vest in June 2019. The estimated level of vesting is expected to be 50% of the maximum amount.

Remuneration Policy considerations review

We retain a simple and transparent overall structure with key components and features of our framework as follows:

Salary	<ul style="list-style-type: none"> Market competitive and not excessive. Any percentage increase to salaries is normally in line with those awarded to the wider workforce.
Benefits and pension	<ul style="list-style-type: none"> Benefits consist of car allowance, private medical insurance, life insurance and travel. Pension allowance of 10% of salary (CEO) and 8% (Finance Director), the latter being aligned with other employees in the business.
Annual Bonus	<ul style="list-style-type: none"> Annual maximum (for FY20) of 100% of salary. Based on a mix of financial, strategic and operational objectives, with stretching targets. Clawback provisions apply.
LTIP	<ul style="list-style-type: none"> Award sizes (for FY20) of 100% of salary (CEO) and 75% of salary (Finance Director). Based on stretching three year performance targets (see below). Vested awards are subject to an additional two year holding period, aligned with best practice for UK-listed companies and in excess of typical practice for AIM-listed companies. Malus and clawback provisions apply.
Shareholding guidelines	<ul style="list-style-type: none"> Executive Directors are expected to build up and retain a shareholding of at least 200% of salary.

Our Policy retains the flexibility to offer incentive award opportunities above those set out above if appropriate in the circumstances. It retains the discretions which already exist in our current Policy for the Committee to provide a maximum bonus opportunity up to the formal cap of 200% of salary in respect of a particular financial year or to make annual LTIP awards of up to 300% of salary.

Board changes

Following an internal review of its Board and Executive structure, Hans Pauli stepped down as an Executive Director of the Company with effect from 31 December 2018. Mr Pauli has remained a member of the Company's Senior Management team, having continued responsibility for corporate and business development. As noted in the Chairman's Statement, Paul Clegg is to step down as the Company's CEO later in 2019. Details relating to Paul Clegg's remuneration in the year ending 31 March 2020, including the terms of his departure will be set out in next year's remuneration report.

LTIP awards for 2019 - Improving strategic alignment

As reported last year, our LTIP has evolved significantly over recent years, with the implementation of rolling annual awards in line with best practice, as well as improving alignment of performance measures to the delivery of our long-term strategy. Our business has clearly defined strategic objectives to execute over the

coming years and we believe that increasing alignment of our incentives to the delivery of these objectives is right for the business and our shareholders.

The majority of the LTIP (60%) is based on Group EBITDA per share. This is designed to ensure our LTIP drives and rewards long-term profit delivery from our expansion plans.

The remainder (40%) is based on Sales Volume, being a performance measure directly linked to the successful execution of our ambitious capacity expansion plans over the coming years, which the Board has identified as the critical strategic objective to which we should be aligning incentives throughout the senior team. Recognising that this is a non-financial performance measure, vesting of this component will be subject to meeting a threshold level of financial performance, to provide an affordability safeguard for investors.

The LTIP award to be made during 2019 will be subject to stretching performance targets for both performance measures, as described in full on page 66. Maximum vesting requires EBITDA per share of €0.22 and Sales Volume of 100,000m³ to be achieved in the year ending 31 March 2022, which are very challenging targets requiring exceptional execution of our expansion plans.

LTIP awards to be made in 2019 will be 75% of salary for the Finance Director, in line with our Policy.

Governance

Remuneration Report continued**Salaries, benefits and pensions for the year ended 31 March 2020**

During the year, the Committee undertook a review of executive remuneration, using an independent adviser, to ensure it reflected market and shareholder expectations.

In the current financial year, the salary of William Rudge, Finance Director will be adjusted to reflect an inflationary increase of 2.5%, in line with other staff.

Following the UK auto-enrolment pension regulations, the Company pension of William Rudge has been adjusted from a contribution of 5% of gross base salary to 8% of gross base salary with effect from 1 April.

During the year, as permitted under its Policy, Accsys has enhanced its benefit offering to all employees, with the introduction of a Group Income Protection Plan and an Individual Dental Insurance Plan. These benefits also apply to the Executive Directors.

2019 AGM

The Remuneration Committee remains committed to operating remuneration arrangements which align with our strategic priorities and the best interests of our shareholders. I continue to believe the approach we have adopted is appropriate and responsible and I look forward to receiving your support at our AGM.

Yours sincerely

Sue Farr

Chair of the Remuneration Committee

24 June 2019

*** Context for executive pay**

This report is prepared in accordance with the UK regulations for reporting executive pay. Our dual listing on AIM in the UK and NYSE Euronext in the Netherlands, combined with our UK incorporated status, means that we come within the definition of a 'quoted company' in the UK Companies Act. Accordingly, and exceptionally amongst AIM companies, we are legally required to comply with the regulations for reporting and approval of Directors' remuneration by companies listed on the main market, including a binding vote on the Directors' remuneration policy.

Directors' Remuneration Policy

The Directors' Remuneration Policy is effective for all payments made to Directors from 18 September 2018, being the date of the AGM in which it was approved.

Element	Purpose and operation	Maximum	Performance measures
Base salary	<p>An appropriate level of fixed remuneration to reflect the individual's skills and experience.</p> <p>Salaries are normally reviewed annually by the Committee, taking into account relevant factors that may include: individual performance, corporate performance, changes to an individual's role and responsibilities, and appropriate market data.</p>	<p>There is no prescribed maximum.</p> <p>Any percentage increase to salaries would normally be in line with those awarded to the wider workforce. Larger increases may be awarded in circumstances considered appropriate by the Committee, such as an increase in the size of the business or the responsibilities of the role, or changes in the competitive marketplace.</p>	N/A
Benefits	<p>To provide a market competitive benefits package.</p> <p>Benefits may comprise a car allowance, private medical insurance, life insurance and reimbursed business expenses (including any associated tax liability) incurred when travelling in performance of duties.</p> <p>The Committee may determine that other benefits be provided where appropriate (for example – relocation costs).</p>	<p>There is no prescribed maximum.</p> <p>The level of benefits is set at an appropriate market rate.</p>	N/A
Pension	<p>Contributions to the Company's pension scheme, or an equivalent cash supplement is provided.</p>	<p>Current contributions are 10% of salary (CEO) and 8% of salary for the Finance Director.</p> <p>The maximum allowable contribution is 15% of base salary.</p>	N/A

Governance

Remuneration Report continued

Element	Purpose and operation	Maximum	Performance measures
Annual Incentive Plan	<p>To drive and reward the delivery of business objectives for the financial year.</p> <p>The bonus is discretionary and any payout is determined by the Committee based on performance. Targets are set and assessed by the Committee each year.</p> <p>Amounts may be satisfied in cash, or at the Committee's discretion, shares.</p> <p>Clawback provisions apply.</p>	<p>The current maximum annual opportunity for all Executive Directors is 100% of salary.</p> <p>The Committee retains discretion to provide a maximum opportunity of up to 200% of salary in respect of a particular financial year.</p>	<p>Awards will normally be based on a combination of financial and non-financial goals measured over one financial year, with at least 50% normally assessed against financial metrics.</p> <p>The Committee retains discretion to adjust performance measures and targets during the year to take account of events outside of management control which were unforeseen when the measures and targets were initially set.</p>
Long Term Incentive Plan (LTIP)	<p>To reward Executive Directors for the delivery of long-term performance and align their interests with shareholders.</p> <p>Awards are made under, and subject to the terms of, the 2013 LTIP approved by shareholders at the 2013 AGM.</p> <p>Awards may be in the form of nil or nominal cost options, or any other form allowed by the Plan rules.</p> <p>Awards vest over a period of at least three years, subject to performance. Vested shares are subject to an additional holding period of at least two years.</p> <p>Clawback and dividend equivalent provisions apply (see notes to the table).</p>	<p>Award levels in respect of a financial year are currently up to 100% of salary for Executive Directors.</p> <p>The Committee retains discretion to make annual awards of up to 300% of salary.</p>	<p>Performance targets are measured over a period of at least three financial years, using performance measures aligned to the delivery of the strategy and long-term shareholder value. Performance targets for awards in 2019 are:</p> <ul style="list-style-type: none"> • Group EBITDA per share (60%); • Group sales volume (40%). <p>25% of awards vests for attaining threshold level of performance.</p> <p>The Committee retains discretion to use different or additional performance measures or weightings to ensure that awards remain appropriately aligned to the business strategy and objectives.</p> <p>Non-financial performance measures will normally be subject to a financial underpin.</p> <p>The Committee will consider the Group's overall performance before determining the final vesting level.</p>
Shareholding guidelines	<p>To increase long term alignment between executives and shareholders.</p> <p>Executive Directors are expected to build up and retain a beneficial holding of at least 200% of base salary.</p>	N/A	N/A

Notes to the Policy table:

1. LTIP awards which vest under this Policy may benefit from the right to receive an amount equal to the value of, if applicable, any dividends which would have been paid on vested shares up to the time of vesting (or where the award is subject to a holding period, up to the time of release).
2. The Annual Incentive Plan and LTIP contain clawback provisions in the event of a material misstatement of results, censure by a regulatory authority or any other serious damage to the Company reputation, or fraud or gross misconduct. The cash and, if applicable, share elements of the Annual Incentive Plan may be clawed back for a period of three years from the date on which the Annual Incentive Plan payment is made. Awards under the LTIP may be cancelled or reduced (prior to vesting), or clawed back for a period of three years post vesting.
3. The remuneration framework for other employees is based on broadly consistent principles used to determine the policy for Executive Directors. All executives and senior managers are generally eligible to participate in some form of annual incentive arrangement. Participation in the LTIP is extended to executives and senior managers, with LTIP performance conditions generally consistent across all levels. Individual salary and pension levels and incentive award sizes vary according to the level of seniority and responsibility.
4. The choice of the performance measures applicable to the Annual Incentive Plan (currently EBITDA, sales volume, and operational measures) reflects the Committee's view that incentives should be aligned to the Group's key annual financial and strategic objectives. For the LTIP, the measures for the 2019 award (EBITDA per share and sales volume) provide a suitable balance between incentivising the execution of the Company's long-term capacity expansion programme and ensuring the delivery of profit growth alongside that operational delivery. For both the Annual Incentive Plan and the LTIP, the Committee sets challenging targets taking into account the Board's objectives for the business. Performance conditions may be amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially more or less difficult to satisfy.
5. The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretion available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment either agreed: (i) prior to the Policy set out above came into effect; (ii) during the term of, and were consistent with, any previous policy approved by shareholders; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.
6. Under the rules of the LTIP, the terms of any award may be adjusted to take account of a Company reorganisation, such as a variation of capital, rights issue, demerger or special dividend.
7. In respect of the shareholding guideline, vested but unexercised LTIP shares will count towards the guideline (on a net of tax basis). It is anticipated that the level of shareholding set out in the guideline will normally be met within five years of appointment as an Executive Director (or from the approval of this Policy). The Committee will take into account LTIP vesting levels and personal circumstances when assessing progress against the guideline.
8. There are no changes from the previous remuneration policy approved by shareholders at the 2018 AGM.

Governance

Remuneration Report continued

Application of the Remuneration Policy

The potential pay-out under the Policy for each Executive Director under three different illustrative performance scenarios was set out in the policy reported in the Annual Report for the year ended 31 March 2018.

Recruitment Remuneration policy

The Company's recruitment policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

The recruitment package for a new Executive Director would normally be set in accordance with the terms of the Policy Table for Executive Directors. Salaries would be set at an appropriately competitive level to reflect the skills and experience of the individual and the scope of their role. The Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

Where an individual forfeits remuneration with a previous employer as a result of appointment to the Company, the Committee may offer compensatory payments or awards to facilitate recruitment. Any such payments or awards would be in such form as the Committee considers appropriate and would normally reflect the nature, time horizons, and performance requirements attaching to that remuneration. There is no limit on the value of such compensatory awards, but the Committee's intention is that the value awarded would be, in the view of the Committee, no higher than the amount forfeited.

For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

Directors' service contracts

The notice periods under the service contracts of the current Executive Directors are summarised in the following table:

Name	Notice period from individual (months)	Notice period from company (months)
Paul Clegg	12	12
William Rudge	6	6

Executive Directors' service contracts, which do not contain expiry dates, provide that compensation provisions for termination without notice will include salary, certain fixed benefits, and pension. In the case of William Rudge, sums may be paid in instalments and cease if the individual finds an alternative role.

Following a change of control, if the Company terminates Paul Clegg's employment in breach of or in accordance with the terms of his service contract, or if Paul Clegg terminates the employment in response to a fundamental breach of contract by the Company, or in accordance with the terms of his service contract, then he will be entitled to a termination payment comprising 12 months base pay and benefits, plus an amount in respect of bonus of at least the level of the average of historic bonus levels (or a higher discretionary amount awarded in respect of Company and personal performance in the financial year of termination), unpaid expenses and the value of accrued holiday entitlement. The inclusion of a component in respect of annual bonus reflects the legacy contractual terms of this agreement and would not be included in the service contract for a new appointment.

The Company's general policy on recruiting a new Executive Director is to provide a service contract terminable after six months. However the Committee reserves the right to introduce a longer notice period (of up to 12 months) which would reduce to six months over time. Provisions for compensation for termination would normally follow that described above for William Rudge.

Outside appointments

Subject to Board approval, Executive Directors are permitted to accept (and retain the fees from) outside appointments on external boards as long as these are not deemed to interfere with the business of the Group.

Termination policy summary

In addition to a payment in lieu of notice referred to above, a departing Executive Director may be eligible for incentive awards, which will be treated in accordance with the rules of the relevant plan, as summarised in the table below:

Incentive plan	Summary of leaver provisions
Annual Incentive Plan	In certain 'good leaver' ¹ circumstances, an individual may remain eligible for an annual bonus with respect to the financial year of cessation (pro-rated for time, unless the Committee determines otherwise). Any payment will remain subject to performance (as determined by the Committee) and is normally payable after the end of the financial year.
LTIP	<p>Unvested awards normally lapse on cessation of employment.</p> <p>However, in certain 'good leaver'¹ circumstances as defined in the Plan rules, awards will vest. In such circumstances:</p> <ul style="list-style-type: none"> • awards will normally vest on their original vesting date; • the Committee will determine the extent of vesting based on the satisfaction of the performance conditions; and • awards will be reduced pro-rata to reflect the proportion of the vesting period that has elapsed at cessation. <p>Vested awards will normally remain subject to any Holding Period.</p>

1. Death, injury, ill-health, disability, redundancy, retirement or the sale of their employing entity out of the Group, or for any other reason at the Committee's discretion.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

Change of control

In the event of a change of control of the Company:

- A payment under the Annual Incentive Plan shall be determined by applying the performance targets (on such basis as the Committee considers appropriate) and calculated on an appropriate time pro-rata basis.
- LTIP awards will vest. The proportion of the award which shall vest will be determined at the discretion of the Committee having regard to the extent to which the performance targets have been achieved and the proportion of the vesting period that has elapsed. Any holding period will cease to apply. Alternatively, the Committee may permit or require awards to be rolled-over into equivalent awards from the acquiring company.

Governance

Remuneration Report continued**Policy Table for Non-Executive Directors ('NEDs')**

Element	Purpose and operation	Maximum	Performance measures
Chairman and NEDs	<p>Fees for the Chairman and for the NEDs are set by the Board (excluding the NEDs).</p> <p>Fees are based on the responsibilities and time commitment of the role. The Chairman receives a single fee. NED fees include a base fee and may include additional fees for other Board or Committee duties.</p> <p>Fees are paid in cash. NEDs are not eligible to participate in incentive arrangements or receive pension provision or other benefits.</p> <p>Non-Executive Directors may be reimbursed for business expenses (and any associated tax liabilities) incurred when travelling in performance of duties.</p>	<p>There is no prescribed maximum annual increase or fee level.</p> <p>Fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels in companies of comparable size and complexity.</p>	N/A

NED contracts

The NEDs, including the Chairman, have letters of appointment which set out their duties and responsibilities. Appointment is for a fixed term of three years, terminated by three months' notice on either side.

Name	Unexpired term (months)
Nick Meyer	11
Patrick Shanley	5
Sean Christie	17
Sue Farr	17
Trudy Schoolenberg	21

Consideration of employment conditions elsewhere in the Group

As explained in the general policy section of the Remuneration Policy, the Committee takes into account Group-wide pay and employment conditions. The Committee reviews the average Group-wide base salary increase and bonus costs and is responsible for all discretionary and all employee share arrangements. The Committee did not consult with employees in preparing the Directors' Remuneration Policy.

Consideration of shareholder views

The Committee undertook a consultation exercise with major shareholders in respect of the development of this Remuneration Policy in 2018, and the feedback received was taken into account in finalising the Policy.

During each year, the Committee considers shareholder feedback received in relation to the AGM, plus any additional feedback received through other means of dialogue. The Committee also regularly reviews the Policy in the context of published shareholder guidelines.

Implementation of the Remuneration Policy for the year ending 31 March 2020

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2020 is set out below.

Base salary

The Remuneration Committee has determined that base salaries for the Executive Directors will increase as follows with effect from 1 July 2019:

	2019	2018	% increase
Paul Clegg	£268,612	£262,060	2.5%
William Rudge	£150,79	£147,116	2.5%

The Group's employees are, in general, receiving salary increases averaging approximately 2.5%.

Pension arrangements

In accordance with the Policy, the Finance Director will receive pension contributions (or cash supplements) of 8% of base salary. The pension contributions (or cash supplements) for the CEO is set out on page 57. As noted above, in respect of the Finance Director, this is an increase of 3% from the previous financial year and is in-line with new auto-enrolment pension regulations.

Annual bonus

For the year ending 31 March 2020, the maximum annual bonus opportunity will be 100% of salary in accordance with the Policy. Payouts will be determined based on the delivery of stretching financial, operational and personal objectives with the weightings for the various components as follows:

	Weighting (% of bonus)	
	CEO	Finance Director
Group EBITDA (excluding Tricoya®)	50%	37.5%
Capacity expansion (including Arnhem expansion & construction of Hull)	30%	22.5%
Sales Volume (total Accoya® volumes sold)	20%	15%
Personal objectives	-	25%

The Committee believes that the underlying targets are commercially sensitive and cannot be disclosed at this stage. The Committee retains the discretion to award a bonus in excess of 100% (but within the policy limit of 200%) in the event of exceptional events resulting in significant unexpected value creation for the Group.

Long-term incentives

For the year ending 31 March 2020, annual LTIP awards will be made in line with the Policy, as shown in the following table. As noted in the Chairman's statement, Paul Clegg is to step down as the Company's CEO later in 2019, and therefore will not receive an LTIP award during the year ending 31 March 2020.

Name	2019 (% of salary)
William Rudge	75%

Governance

Remuneration Report continued

The extent to which 2020 LTIP awards will vest after three years will be dependent on two independent performance conditions as follows:

Metric	Weighting (% of award)	Threshold	Stretch	Maximum
Vesting (% of maximum)		25%	75%	100%
EBITDA per share in FY22	60%	0.10	0.14	0.22
Sales Volume in FY22 (m ³)	40%	82,000	86,000	100,000

- Vesting is on a straight-line basis between the vesting points shown in the schedule above.
- Appropriate adjustments may be made to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- EBITDA per share targets are set and determined so as to exclude licensing income.
- Sales Volume is defined as combined sales volume (in cubic metres, or equivalent) of Accoya® and Tricoya®.
- Vesting of the Sales Volume component will be subject to the achievement of a threshold level of EBITDA.

In line with the Policy, upon vesting, the 2020 LTIP awards will be subject to an additional holding period which expires on the fifth anniversary of the date of grant together with the claw-back provisions as set out in further detail in the Remuneration Policy.

Non-Executive Directors

The fees for the Non-Executive Directors are shown in the table below.

	2019	2018	% increase
Chairman fee	£76,715	£76,715	0.0%
Basic NED fee	£40,800	£40,800	0.0%
Additional fees:			
Senior Independent Director	£5,100	£5,100	0.0%
Committee chairmanship fee per committee	£5,100	£5,100	0.0%

Remuneration received by Directors in the year ended 31 March 2019 (audited)

Directors' remuneration for the year ended 31 March 2019 (and for the prior year ended 31 March 2018) is shown in the following tables:

	Currency	Salary/ Fees	Benefits in Kind ¹	Annual bonus ²	LTIPs vested/ expected to vest ³	Pension ⁴	2019 Total	2019 Total EUR
Executive Directors								
Paul Clegg	£	261	18	183	216	26	704	809
Hans Pauli ⁷	€	166	2	42	65	9	284	284
William Rudge	£	146	2	96	61	7	312	358
Non-Executive Directors								
Sean Christie	£	46	-	-	-	-	46	52
Sue Farr	£	46	-	-	-	-	46	52
Montague John "Nick" Meyer	£	41	-	-	-	-	41	46
Patrick Shanley ⁵	£	79	-	-	-	-	79	90
Trudy Schoolenberg ⁸	£	46	-	-	-	-	46	52

	Currency	Salary/ Fees	Benefits in Kind ¹	Annual bonus ²	LTIPs vested/ expected to vest ³	Pension ⁴	2018 Total	2018 Total EUR
Executive Directors								
Paul Clegg	£	256	19	141	-	26	442	502
Hans Pauli ⁶	€	215	5	109	-	12	341	341
William Rudge	£	144	2	79	-	7	232	264
Non-Executive Directors								
Sean Christie	£	45	-	-	-	-	45	51
Sue Farr	£	45	-	-	-	-	45	51
Montague John "Nick" Meyer	£	40	-	-	-	-	40	46
Patrick Shanley ⁵	£	75	-	-	-	-	75	86

Figures shown in thousands. Figures are shown in the currency in which the majority of remuneration received. The final column converts remuneration into the Company's reporting currency using the monthly exchange rate when the costs are incurred.

1. Taxable benefits for the Executive Directors in the year included a car allowance (for the CEO only), private medical insurance, life insurance and reimbursed business expenses.
2. Represents annual bonus paid in cash in respect of the relevant financial year (further detail for the year ended 31 March 2019 is shown below).
3. For 2019 an estimated amount is shown in respect of vesting of the 2016 LTIP award. The value of this award has been based on the share price as at 31 March 2019. This award will vest at the end of June 2019. For 2018 there was no LTIP award vesting by reference to performance to 31 March 2018 and therefore there is no value to report for 2018.
4. Paul Clegg receives cash in lieu of pension.
5. Patrick Shanley amounts include actual amounts paid in both GBP and EUR.
6. Hans Pauli amounts include actual amounts paid in GBP for the period to 31 March 2018.
7. Hans Pauli amounts for 2019 represent the remuneration received for the period to 31 December 2018, when he resigned as a Director.
8. Trudy Schoonenberg was appointed as a Director from 1 April 2018.

Annual bonus for the year ended 31 March 2019 (audited)

For the year ended 31 March 2019, the maximum annual bonus opportunity was 100% of salary in accordance with the Policy. Payouts were determined based on performance, taking into account the delivery of stretching financial and operational objectives with the weightings for the various components as follows:

	Weighting - CEO (% of bonus)		Weighting - FD (% of bonus)	
	Maximum	Outcome	Maximum	Outcome
Group EBITDA (excluding Tricoya®)	50%	42%	37.5%	31.5%
Completion and Operation of Arnhem Plant	15%	15%	11.25%	11.25%
Progression with Hull Plant	15%	0%	11.25%	0%
Sales Volume (total Accoya® volumes sold)	20%	13%	15%	9.75%
Personal Objectives	-	-	25%	12.5%

The actual performance targets remain commercially sensitive and cannot be disclosed at this time. Bonus outcome for Hans Pauli for the period was 25%.

Governance

Remuneration Report continued

Group EBITDA fell below the stretching threshold and therefore part of this component was awarded. Sales of Accoya® and progress in the execution of the Arnhem expansion programme resulted in a payout on this operational components together with sales growth which was constrained by production capacity. However the delay in the Hull plant resulted in nil payout in respect of this component. Overall, taking into account personal performance, the bonus outcomes were between 25–70 of the maximum (25–70% of salary) for the Executive Directors, with the amounts awarded shown in the single figure table on page 64. The Committee believes this outcome is an appropriate reflection of the performance of the business and Executives in the year.

LTIP vesting in respect of performance to the year ended 31 March 2019 (audited)

The 2016 LTIP awards (see table below) vest by reference to EBITDA performance over a three year period ending 31 March 2019 (50% weighting) and share price growth against the FTSE AIM All Share Index (excluding the Resource and Financial Sectors) measured from the date of grant of award to the date of vesting (50% weighting). These awards are due to vest at the end of June 2019. The EBITDA targets have not been met and this part of the award will lapse. As at 31 March 2019, the element relating to share price growth is expected to vest in full, resulting in overall vesting of 50% of the maximum award.

Scheme interests awarded during the year (audited)

During the year, the following LTIP awards were made to the Executive Directors:

Type of Award	Basis of award granted	Face value of award ¹ €000s	% of maximum vesting for threshold performance	Performance Period
Paul Clegg	100% of salary	295	25%	Three years to 18 June 2021
Hans Pauli ²	50% of salary	110	25%	
William Rudge	75% of salary	124	25%	

1. Face value determined using share price determined two days prior to date of grant.
2. Hans Pauli award made in June 2018 with full value awarded shown. Resigned as a Director on 31 December 2018.

The performance targets for these awards are as follows:

Metric	Weighting (% of award)	Threshold	Maximum
Vesting (% of maximum)		25%	100%
EBITDA per share in FY21	60%	€0.05	€0.13
Total Sales Volume	40%	70,000m ³	85,000m ³

- Vesting is on a straight-line basis between threshold and maximum.
- Appropriate adjustments may be made to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- EBITDA per share targets are set and determined so as to exclude licensing income.
- Sales Volume is defined as combined sales volume (in cubic metres, or equivalent) of Accoya® and Tricoya®.
- Vesting of the Sales Volume component will be subject to the achievement of a threshold level of EBITDA.

Payments to past Directors (audited)

Hans Pauli stepped down as an Executive Director of the Company with effect from 31 December 2018 and has remained a member of the Company's Senior Management Team. He has continued to receive payments in respect of his employment in that role.

Payments for loss of office (audited)

There were no payments for loss of office during the year.

Statement of Directors' shareholding and share interests (audited)

	Shares beneficially held ¹ as at 31 March 2019	Vested but unexercised LTIPs	Unvested LTIP awards ²
Paul Clegg	716,432	1,259,449	841,270
Hans Pauli	376,527	286,069	304,429
William Rudge	192,000	159,173	281,308
Sean Christie	72,258	-	-
Sue Farr	25,000	-	-
Montague John 'Nick' Meyer	29,745	-	-
Patrick Shanley	70,981	-	-
Trudy Schoolenberg	-	-	-

1. Includes shares held by connected persons.
2. Includes 50% of the 2016 LTIP expected to vest in June 2019 based on share price growth target. 50% of award based on EBITDA targets will not vest and has therefore been excluded from this amount.

There has been no change in the beneficial holding of the Directors between the year end and the date of this report.

The unvested LTIP awards consist of 2016, 2017 and 2018 LTIP awards. The performance condition for the 2018 award is summarised in the section above and for the 2017 and 2016 awards, in the tables below:

2017 LTIP

Metric	Weighting (% of award)	Threshold	Target	Maximum
Vesting (% of maximum)		25%	50%	100%
EBITDA per share in FY20	50%	€0.04	€0.06	€0.08
Share Price Growth vs Comparator Group	50%	Median	N/A	Upper Quartile

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- Comparator Group is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors).

2016 LTIP

Metric	Weighting (% of award)	Threshold	Target	Maximum
Vesting (% of maximum)		25%	50%	100%
EBITDA per share in FY19	50%	€0.06	€0.08	€0.10
Share Price Growth vs Comparator Group	50%	Median	N/A	Upper Quartile

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- Comparator Group is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors).

Relative importance of spend on pay

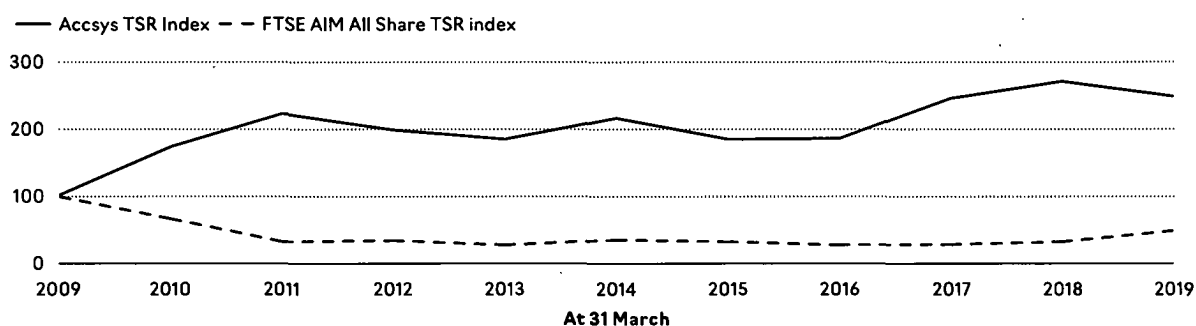
During the year ended 31 March 2019, the total pay for all Group employees decreased by 2% to €11,119,000 (2018: €11,293,000). There were no dividends or share buybacks in either year.

Governance

Remuneration Report continued

Performance graph and CEO remuneration

The following graph shows the Company's performance for the past ten years on the London Stock Exchange AIM compared with the performance of the FTSE AIM All Share index. The FTSE AIM All Share index has been selected for this comparison as it is a broad based index which the Directors believe most closely reflects the performance of companies with similar characteristics as the Company's. A logarithmic scale has been used in order to more clearly set out the performance of Accsys' shares in more recent periods.



Since joining in 2009, the CEO's total remuneration together with the proportion attributable to bonus or vested incentives is as set out in the table below:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total remuneration	386	283	604	627	676	783	613	1,632	502	809
% Bonus of Total	36%	0%	46%	46%	51%	54%	36%	18%	32%	26%
% Bonus of Cap	N/A	N/A	N/A	N/A	N/A	68%	33%	48%	28%	36%
% vested LTIPs of maximum	N/A	N/A	N/A	N/A	N/A	N/A	N/A	58%	N/A	50%

As no formal cap or maximum bonus existed before 2015, no figure has been disclosed setting out this percentage.

Consideration of matters relating to Directors' remuneration

The Nomination and Remuneration Committee consisted of Sue Farr (Chairman), Patrick Shanley, Nick Meyer, Trudy Schoolenberg and Sean Christie. All Non-Executive Directors (including the Chairman on appointment) are considered to be independent. To ensure appropriate focus on both Remuneration and Nomination Committee matters, with the potential for differing membership, the Board approved the disaggregation of the Nomination and Remuneration Committee into a separate Remuneration Committee and Nomination Committee, each with their own updated terms of reference with effect from 1 January 2019. Membership (and Chairmanship) of the Remuneration Committee remains per the previously combined Committee as stated in this paragraph.

Following appointment in 2018, Deloitte LLP (Deloitte) continues to be engaged as independent adviser to the Committee. The Committee is satisfied that Deloitte remains independent of the Company and that the advice provided is impartial and objective. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. Their total fees for the provision of remuneration services to the Committee during the financial year to 31 March 2019 were £21,280 (plus VAT).

Statement of voting at general meeting

The AGM held on 18 September 2018 included the following resolutions:

An ordinary resolution was passed in respect of the approval of the Directors' Remuneration Report (excluding the Remuneration Policy) for the year ended 31 March 2018. 53,090,639 (99.98%) votes were cast for the resolution, 6,983 against and 4,110 withheld.

An ordinary resolution was passed in respect of the approval of the Directors' Remuneration Policy for the year ending 31 March 2018. 52,090,499 (99.98%) votes were cast for the resolution, 7,123 against and 1,004,110 withheld.

Governance

Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2019.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 83, and shows the loss for the year.

The Directors do not recommend the proposal of a final dividend in respect of the current year, consistent with the prior year.

Principal activities and review of the business

The principal activities of the Group are the production and sale of Accoya® solid wood and Tricoya® wood elements, technology and product development as well as the licensing of technology for the production and sale of Accoya® and Tricoya® via the Company's subsidiaries, Titan Wood Limited, Titan Wood B.V., Titan Wood Technology B.V., Titan Wood Inc., Tricoya® Technologies Limited and Tricoya® Ventures UK Limited (collectively the 'Group'). Manufactured through the Group's proprietary acetylation processes, these products exhibit superior dimensional stability and durability compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials. A review of the business is set out in the Chairman's Statement on pages 12 and 13 and the Chief Executive's Report on pages 14 to 19. Accsys Technologies PLC is a public limited company, which is listed on London Stock Exchange AIM and Euronext Amsterdam, and incorporated and domiciled in the UK. The address of its registered office is set out on page 140.

Business model and Strategy

The Business model and Strategy section, from page 20, sets out the Company's strategy, business model and key performance indicators.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are set out in Note 31 of the financial statements.

Share issues

On 18 July 2018, 6,231,070 ordinary shares were issued to VP Participaties BV, the investment company of the Van Puijenbroek family, at a price of €0.92 per share.

173,915 shares were issued on 25 June 2018 to an Employee Benefit Trust ('EBT') at nominal value.

70,175 shares were issued on 18 February 2019 to an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP').

Principal risks and uncertainties

The business, financial condition or results of operations of the Group could be adversely affected by any of the risks set out in the Strategic Report. The Group's systems of control and protection are designed to help manage and control risks to an appropriate level rather than to eliminate them.

The Directors consider that the principal risks to achieving the Group's objectives are set out in the Strategic Report.

Governance

Directors' Report continued**Greenhouse gas ('GHG') emissions**

The table below represents all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for our manufacturing facility in Arnhem, the Netherlands.

Global GHG emissions data for period 1 April 2018 to 31 March 2019

	2018-2019 kg CO ₂ eq	2017-2018 kg CO ₂ eq	2016-2017 kg CO ₂ eq
Electricity, heat, steam and cooling for own use – GROSS	4,330,655	3,234,185	2,804,839
Electricity, heat, steam and cooling for own use – NET (including Renewable Energy Credits)	2,901,234	1,941,139	1,511,794
Combustion of fuel & operation of production facility (MP4), in Arnhem, the Netherlands	4,034,842	3,117,809	3,109,664
TOTAL – GROSS	8,365,497	6,351,994	5,914,503
External carbon offsets (Voluntary Carbon Offsetting through BP Target Neutral)	(1,852,140)	(1,524,000)	(1,524,000)
TOTAL – NET (including Renewable Energy Credits/ Carbon offsets)	5,083,935	3,534,948	3,097,458
Chosen intensity measurement: Emissions per cubic metre Accoya® produced – GROSS	171	162	155
Chosen intensity measurement: Emissions per cubic metre Accoya® produced – NET (including Renewable Energy Credits/Carbon offsets)	104	90	81

Notes:

- We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for our manufacturing facility in Arnhem, the Netherlands.
- Due to unavailability of data, GHG emissions related to our offices and staff travel are not included in the figures above.
- Emissions have been calculated following the GHG Protocol – Corporate Accounting and Reporting (revised edition) using the following databases: IPCC 2006 Guidelines for National Greenhouse Gas Inventories, 2007 IPCC Fourth Assessment Report and Eco-Invent v3.3.
- Note that following Environmental Reporting Guidelines of Defra (2013), carbon offsets may be accounted for separately as a 'NET' figure, while the original electricity consumption figures should be presented as a 'GROSS' figure.
- Following the same (Defra 2013) guidelines, the emissions associated with our supply chain (inputs and outputs) are not included in the figures above, for readers that are interested in the supply chain related figures we refer to our publicly available carbon footprint report: <http://www.accoya.com/wp-content/uploads/2013/09/Verco-Cradle-to-gate-carbon-footprint-update-2012.pdf> and Environmental Product Declaration (EN 15804): <https://www.accoya.com/wp-content/uploads/2015/06/NEPD-376-262-EN-Accsys-Technologies-Accoya-Wood.pdf>.
- Previously outsourced parts of the operations have been brought in-house, following the expansion in Arnhem and included in the above figures (in the 2017-2018 & 2018-2019 years).

Further details concerning the environmental impact of our products as a whole are detailed in the Sustainability Report on pages 30 to 32, including an assessment of the overall life cycle of Accoya®.

Directors

The Directors of the Company during the year and up to the date of signing the financial statements were:

Sean Christie
 Paul Clegg
 Sue Farr
 Montague John 'Nick' Meyer
 Hans Pauli (resigned 31 December 2018)
 William Rudge
 Patrick Shanley
 Trudy Schoolenberg

Directors' indemnities

The Company maintains Directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The policy was in force throughout the period and at the date of the approval of these financial statements.

Employment policies

The Group operates an equal opportunities policy from recruitment and selection, through training and development, appraisal and promotion to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status or sexual orientation. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

15% of employees in the year ended 31 March 2019 were female. 21% of the Senior Management team were female and two of the Board of Directors were female.

Health and safety

Health and safety is the priority at all levels of the Group, in particular taking into account the chemical industry in which Accsys operates. Group companies have a responsibility to ensure that all reasonable precautions are taken to provide and maintain working conditions for employees and visitors alike, which are safe, healthy and in compliance with statutory requirements and appropriate codes of practice.

The avoidance of occupational accidents and illnesses is given a high priority. Detailed policies and procedures are in place to minimise risks and ensure appropriate action is understood in the event of an incident. A dedicated health and safety officer is retained at the Group's manufacturing facilities in Arnhem and Hull.

Significant shareholdings

So far as the Company is aware (further to formal notification), the following shareholders held legal or beneficial interests in ordinary shares of the Company exceeding 3%:

• Teslin Participaties Cooperatief U.A.	12.42%
• Henderson Group PLC	5.94%
• Decico BV	5.07%
• Majedie UK Equity Fund	5.06%
• VP Participaties B.V.	5.00%
• Invesco Limited	4.87%
• The London & Amsterdam Trust Company Limited	4.51%
• FIL Limited (formerly known as Fidelity International Limited)	4.26%
• Pershing Securities Limited (via Pershing Nominees Limited)	4.17%
• Saad Investments Company Limited	3.92%
• Zurab Lysov	3.71%

There are no restrictions in respect of voting rights.

Going concern

The Directors have formed a judgement, at the time of approving the financial statements that there is a reasonable expectation that the Group has access to adequate resources to continue in operational existence for at least the next 12 months. Further details are set out in note 1 to these financial statements.

Governance

Directors' Report continued**Corporate Governance**

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 46 to 48 of these financial statements. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Disclosure of information to auditors

Each of the persons who is a Director at the date of the approval of the Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the annual general meeting.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

By order of the Board



Angus Dodwell

Company Secretary

24 June 2019

Governance

Statement of Directors' Responsibilities

in respect of the financial statements

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group and parent Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and parent Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Corporate Governance confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report (including but not limited to Chairman's Statement, Chief Executive's Report and Financial Review) includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Background Removed



Our primary focus for this project was quality; we wanted to design a boardwalk built to last, that curves between the trees and offers many places to stop, rest and enjoy the natural setting and views. Accoya® was the natural choice."

Grant Calder, Flexure

Changing wood to change the world in

Asia Pacific

Noosa Boardwalk – Sunshine Coast, Australia

Accoya® wood under the sun and beside the sea

Australia's iconic Sunshine Coast has received a makeover: a 400-metre-long boardwalk with Accoya® wood used for all decking, seating and stairs – as well as a locally hand-carved surfboard-shaped shower.

The boardwalk has been designed to be in keeping with the natural setting, retaining 99% of the existing coastal rainforest and highlighting Noosa's World Surfing Reserve and Unesco-biosphere reserve status. It has already received the coveted Regional Green Space Award from the Australian Institute of Horticulture.

The boardwalk has undergone substantial refurbishment in the form of seating, viewing points and LED lighting, all done to improve the experience for visitors as they traverse the location and take in the stunning views.

Noosa Shire Council commissioned the project, with architect Grant Calder of Flexure overseeing the design and build. Minimal environmental impact both during the construction and after completion was a major factor for the project.

Accoya® wood was the natural choice, with its high performance characteristics and sustainable credentials well suited to the project and the beautiful sun-drenched and sea-sprayed environment.

Location: Noosa, Australia

Architect: Grant Calder, Flexure

Asia Pacific revenue

€6.1m ↑ **16%**
(vs 2018)

Financial Statements

- 76 Independent Auditors' Report
- 83 Consolidated Statement
of Comprehensive Income
- 84 Consolidated Statement
of Financial Position
- 85 Consolidated Statement
of Changes in Equity
- 86 Consolidated Statement
of Cash Flow
- 87 Notes to the Financial Statements
- 123 Company Independent Auditors'
Report
- 130 Company Financial Statements

Shareholder Information

- 140 Shareholder Information

Image Removed

Independent Auditors' Report

to the members of Accsys Technologies PLC

Report on the audit of the Group financial statements

Opinion

In our opinion, Accsys Technologies PLC's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 March 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Consolidated Statement of Financial Position as at 31 March 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flow, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

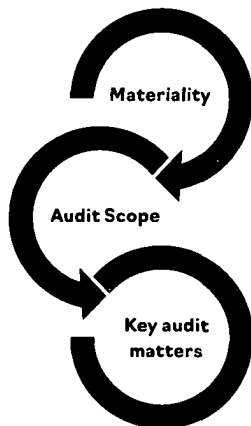
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

We have provided no non-audit services to the Group in the period from 1 April 2018 to 31 March 2019.

Our audit approach

Overview



Overall Group materiality: €750,000 (2018: €609,000), based on 1% of total revenue.

We performed audit work over the complete financial information for three reporting units which accounted for approximately 87% (2018: 87%) of the Group's revenue. These operating reporting units comprised the operating business in the Netherlands, UK and centralised functions.

We identified five reporting units, three of which were significant due to their size. This comprised the operating businesses in the Netherlands and the UK and centralised functions.

We conducted specific audit procedures on certain balances and transactions in respect of the remaining two reporting units. These procedures related to elimination of intergroup / investment balances as well as substantive procedures over non-current assets in one unit.

Going concern.
 Impairment of non-current assets.
 Cost capitalisation of Property, Plant and Equipment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and company financial statements, including, but not limited to, the Companies Act 2006, Pensions legislation, UK tax legislation and equivalent local laws and regulations applicable to significant component teams and testing particular classes of transactions. Our tests included, but were not limited to, review of correspondence with the regulators, enquiries of management including internal legal counsel, review of significant component auditors' work. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As in all our audits we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to taxes impacting different territories, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and applicable listing rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- understanding management's assessment of the risk and the overall control environment in place, including the 'tone from the top';
- enquiries with management and the Group's legal counsel, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations and examining supporting calculations where adjustments have been made in respect of these;
- reading key correspondence with external legal counsel in relation to compliance with certain laws and guidelines;
- substantive testing of journal entries, particularly focused around the year end and journals posted to revenue / other unusual account combinations; and
- challenging the assumptions and judgements made by management in their significant accounting estimates for bias that could result in material misstatement due to fraud (e.g. impairment of assets, inventory provision, depreciation and amortisation rates).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Going concern	
<p>As the Group continues to develop and expand there are a number of factors that potentially impact on its ability to continue as a going concern. These include:</p> <p>Continued loss making performance as the Group looks to increase production capacity to leverage continuing investments being made; and</p> <p>Significant planned capital expenditure over the next 12 months at Hull for the Tricoya® businesses as part of that investment.</p> <p>As a result of this continued investment the financing balances available to the Group over the next 12 to 18 months are forecast by management to reduce from the balances held at 31 March 2019. As such we have included <i>going concern as a significant risk</i>.</p>	<p>Our audit included a number of specific procedures as set out below:</p> <p>Obtaining and auditing management's own going concern assessment. This included:</p> <ul style="list-style-type: none"> Recalculating the arithmetic accuracy of management's model; Ensuring that the model covered an appropriate period and included correct cash balances in the opening position and subsequent movements; and Challenged the key assumptions included in the model, namely (i) the trading position agreed to the Board approved forecast, (ii) challenged management on the extent and timing of future expenditure of capital amounts including the appropriateness of contingencies held given the current state of progress of projects and the agreements in place with the contractors, (iii) considered managements' history of ability to forecast and (iv) considered mitigating measures available to management should they be required and their amount and timing. <p>As a result of our challenge management produced an updated paper that considered additional downside sensitivities around production levels and capital expenditure. Their updated paper also expanded on the mitigating measures available to management should they be required and explained why they were satisfied that the current forecasts were robust given previous variances to budget.</p> <p>Debated the position with management and reviewed Board minutes to ensure that the position in the model could be corroborated to other supporting information from the Board; and</p> <p>Reported our approach and findings to the Audit Committee in our written report.</p> <p>Management's disclosure on the going concern basis of preparation is consistent with our understanding based on the procedures performed.</p> <p>For our conclusion, please refer to page 81.</p>

Key audit matter**How our audit addressed the key audit matter****Impairment of non-current assets**

At 31 March 2019 the Group carried €4.2m of goodwill (2018: €4.2m), €6.6m of other intangible assets (2018: €6.4m), and €105.3m of tangible fixed assets (2018: €60.8m).

Management is required to perform an annual impairment review of goodwill held within intangible assets in accordance with IAS 36. In addition management should assess for impairment indicators in respect of other assets held.

We focussed on this as a significant risk principally due to the significant size of these balances and the fact that there is an element of judgement behind some of the assumptions that support the carrying value of the goodwill, other intangibles and tangible fixed assets.

Our audit included a number of specific procedures as set out below:

Assessing the appropriateness and consistency of the identification of Cash Generating Units, ("CGUs"). Management has identified two CGUs which is consistent with the prior year;

Understanding and auditing management's impairment calculations (value-in-use) for each of the two CGUs. This included:

- Verifying that the basis for the value-in-use calculations was a Board approved budget for FY20 consistent with the going concern analysis;
- Recalculating the carrying value of each of the CGU's by agreeing balances back to the financial records; and
- Debating and challenging management's key assumptions used in the model for future years (Revenue growth, EBITDA margin, discount rate). We have involved valuation specialists in assessing the reasonableness of the discount rate, validated future revenue expectations given knowledge of the capacity of the plant in future years, consideration and challenge of margins based on previous and expected performance.

Performed a sensitivity analysis on the key assumptions in the impairment model prepared by management and debated and challenged management on the likelihood of those sensitivities;

Reviewed compliance with the disclosure requirements of IAS 36 given the outcome reached;

Reviewed for indicators of impairment on other assets currently being depreciated / amortised utilising our knowledge of the business;

Board minute review and discussions with management;

Challenged management to perform a downside sensitivity; and reported our approach and findings to the Audit Committee.

Based on our procedures we consider management's key assumptions to be within a reasonable range and concur with their position of no impairment charge in the year to 31 March 2019. The disclosures appropriately describe the inherent degree of subjectivity in the estimates, including specific disclosures on the key assumptions most sensitive to change.

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Key audit matter	How our audit addressed the key audit matter
Cost capitalisation of Property, Plant and Equipment	
<p>During the year the Group has capitalised €18.4m (FY18: €25.0m) of costs relating to the Arnhem expansion, including the land and building purchase, and a further €27.8m (FY18: €16.7m) of costs on the construction of a Tricoya® plant in Hull. While the majority of the costs are external (c €0.4m of internal costs have been capitalised) there is a risk with such large amounts that some inappropriate costs are incorrectly capitalised. There is also the risk that the accounting for the termination of the finance lease and purchase of the asset is incorrect.</p>	<p>Our audit procedures included the following tests:</p> <p>Substantively verified a sample of external costs capitalised to external supporting documentation to ensure they meet the capitalisation criteria of IAS 16;</p> <p>Challenging management's assessment to ensure costs sampled (both internal and external) were directly attributable to the expansion project. We confirmed that the majority of costs capitalised were external and the value of internal costs capitalised was €0.4m;</p> <p>Discussions with the finance team but also the operational staff which not only improved our understanding of the overall project but also helped us audit the accounting given the type and stage of completion of the projects;</p> <p>The Group audit team performed site visits to both Arnhem and Hull during May / June 2019. This allowed us to physically assess the project builds as well as increase our knowledge of the projects;</p> <p>Consulted with our accounting specialists on the treatment for the termination of the finance lease and simultaneous purchase;</p> <p>We considered the overall capitalisation and the accounting thereof in light of our understanding from reading board minutes as well as discussions with management; and</p> <p>Reported our approach and findings to the Audit Committee.</p> <p>Based on our procedures we consider the capitalisation during the year to 31 March 2019 to be appropriate.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	€750,000 (2018: €609,000).
How we determined it	1% of total revenue.
Rationale for benchmark applied	Given that the business is in a growth stage and low / break-even levels of profit / loss, revenue was considered the most appropriate measure used, and is a generally accepted auditing benchmark. This is consistent with the prior year.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €270,000 and €700,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €37,000 (2018: €30,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters. We have included our work on going concern as a key audit matter above.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 73, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of Directors' remuneration specified by law are not made.

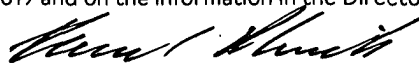
We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 1 April 2011 to audit the financial statements for the year ended 31 March 2011 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 31 March 2011 to 31 March 2019.

Other matters

We have reported separately on the Company financial statements of Accsys Technologies PLC for the year ended 31 March 2019 and on the information in the Directors' Remuneration Report that is described as having been audited.



Darryl Phillips (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 June 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2019

	Year ended 31 March 2019			Year ended 31 March 2018			
	Note	Underlying €'000	Exceptional items and other adjustments* €'000	Total €'000	Underlying €'000	Exceptional items and other adjustments* €'000	Total €'000
Accoya® wood revenue					56,331	-	56,331
Tricoya® panel revenue					-	-	-
Licence revenue					200	-	200
Other revenue					4,380	-	4,380
Total revenue	3				60,911	-	60,911
Cost of sales		(56,517)	-	(56,517)	(47,270)	-	(47,270)
Gross profit		18,636	-	18,636	13,641	-	13,641
Other operating costs excluding depreciation and amortisation	4	(17,733)	24	(17,709)	(17,140)	(2,184)	(19,324)
Other gains	5	-	-	-	-	32	32
EBITDA		903	24	927	(3,499)	(2,152)	(5,651)
Depreciation and amortisation	4	(3,965)	-	(3,965)	(3,078)	-	(3,078)
Total other operating costs¹	4	(21,698)	24	(21,674)	(20,218)	(2,184)	(22,402)
Operating (loss)/gain	8	(3,062)	24	(3,038)	(6,577)	(2,152)	(8,729)
Finance income	10	-	-	-	-	-	-
Finance expense	11	(3,117)	(1,529)	(4,646)	(2,174)	502	(1,672)
Loss before taxation		(6,179)	(1,505)	(7,684)	(8,751)	(1,650)	(10,401)
Tax credit	12	782	-	782	251	-	251
Loss for the year		(5,397)	(1,505)	(6,902)	(8,500)	(1,650)	(10,150)
Gain/(loss) arising on translation of foreign operations		54	-	54	(56)	-	(56)
Gain/(loss) arising on foreign currency cash flow hedges		-	11	11	-	202	202
Total other comprehensive (loss)/income		54	11	65	(56)	202	146
Total comprehensive loss for the year		(5,343)	(1,494)	(6,837)	(8,556)	(1,448)	(10,004)
Total comprehensive loss for the year is attributable to:							
Owners of Accsys Technologies PLC		(4,337)	(1,494)	(5,831)	(7,592)	(1,448)	(9,040)
Non-controlling interests		(1,006)	-	(1,006)	(964)	-	(964)
Total comprehensive loss for the year		(5,343)	(1,494)	(6,837)	(8,556)	(1,448)	(10,004)
Basic and diluted loss per ordinary share	14	€(0.04)		€(0.05)	€(0.07)		€(0.08)

The notes on pages 87 to 122 form an integral part of these financial statements.

* See note 5 for details of exceptional items and other adjustments

1. Total operating costs includes other operating costs excluding depreciation and amortisation & depreciation and amortisation

Consolidated Statement of Financial Position

as at 31 March 2019

Registered Company 05534340

	Note	2019 €'000	2018 €'000
Non-current assets			
Intangible assets	16	10,790	10,653
Property, plant and equipment	17	105,272	60,835
Financial asset at fair value through profit or loss	18	-	-
		116,062	71,488
Current assets			
Inventories	21	14,008	13,125
Trade and other receivables	22	13,038	9,335
Cash and cash equivalents		8,857	39,698
Corporation tax receivable		478	1,347
FX derivative asset		143	-
		36,524	63,505
Current liabilities			
Trade and other payables	23	(19,963)	(18,012)
Obligation under finance lease	28	(246)	(1,323)
Short term borrowings	29	(6,176)	(2,062)
Corporation tax payable		(34)	(17)
		(26,419)	(21,414)
Net current assets		10,105	42,091
Non-current liabilities			
Obligation under finance lease	28	(1,775)	(12,849)
Other long term borrowing	29	(50,733)	(27,235)
		(52,508)	(40,084)
Net assets		73,659	73,495
Equity			
Share capital	24	5,900	5,576
Share premium account		145,429	140,036
Other reserves	25	109,521	109,425
Accumulated loss		(217,348)	(211,830)
Own shares		(9)	(15)
Foreign currency translation reserve		43	(11)
Capital value attributable to owners of Accsys Technologies PLC		43,536	43,181
Non-controlling interest in subsidiaries	9	30,123	30,314
Total equity		73,659	73,495

The financial statements on pages 83 to 122 were approved by the Board of Directors on 24 June 2019 and signed on its behalf by



Paul Clegg
Director



William Rudge
Director

The notes on pages 87 to 122 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2019

	Share capital Ordinary €000	Share premium €000	Other reserves €000	Own Shares €000	Foreign currency translation reserve €000	Accumulated Loss €000	Total equity attributable to equity shareholders of the company €000	Non-Controlling interests €000	Total Equity €000
Balance at 31 March 2017	4,531	128,792	113,460	(33)	45	(202,944)	43,851	12,620	56,471
Total comprehensive income/(expense) for the period	-	-	202	-	(56)	(9,186)	(9,040)	(964)	(10,004)
Share based payments	-	-	-	-	-	300	300	-	300
Shares issued	1,045	-	-	18	-	-	1,063	-	1,063
Premium on shares issued	-	13,007	-	-	-	-	13,007	-	13,007
Share issue costs	-	(1,763)	-	-	-	-	(1,763)	-	(1,763)
Issue of subsidiary shares to non-controlling interests	-	-	(4,237)	-	-	-	(4,237)	18,658	14,421
Balance at 31 March 2018	5,576	140,036	109,425	(15)	(11)	(211,830)	43,181	30,314	73,495
Total comprehensive income/(expense) for the period	-	-	11	-	54	(5,896)	(5,831)	(1,006)	(6,837)
Share based payments	-	-	-	-	-	382	382	-	382
Shares issued	324	-	-	6	-	(4)	326	-	326
Premium on shares issued	-	5,421	-	-	-	-	5,421	-	5,421
Share issue costs	-	(28)	-	-	-	-	(28)	-	(28)
Issue of subsidiary shares to non-controlling interests	-	-	85	-	-	-	85	815	900
Balance at 31 March 2019	5,900	145,429	109,521	(9)	43	(217,348)	43,536	30,123	73,659

Share capital is the amount subscribed for shares at nominal value (note 24).

Share premium account represents the excess of the amount subscribed for share capital over the nominal value of these shares, net of share issue expenses. Share issue expenses comprise the costs in respect of the issue by the Company of new shares.

See note 25 for details concerning Other reserves.

Non-controlling interests relates to the investment of various parties into Tricoya Technologies Limited and Tricoya Ventures UK Limited (notes 9 and 26).

Own shares represents a total of 173,915 shares issued to an Employee Benefit Trust ('EBT') at nominal value on 25 June 2018. These shares shall vest if the employees remain in employment with the Group to the vesting date, being 1 July 2019 (subject to certain other provisions including good-leaver, take-over and Committee discretion provisions) (note 15).

Foreign currency translation reserve arises on the re-translation of the Group's USA subsidiary's net assets which are denominated in a different functional currency, being US dollars.

Accumulated losses represent the cumulative loss of the Group attributable to the owners of the parent.

The notes on pages 87 to 122 form an integral part of these financial statements.

Consolidated Statement of Cash Flow

for the year ended 31 March 2019

	2019 €'000	2018 €'000
Loss before taxation before exceptional items and other adjustments	(6,179)	(8,751)
Adjustments for:		
Amortisation of intangible assets	611	582
Depreciation of land, property, plant and equipment	3,354	2,496
Net finance expense	3,117	2,174
Equity-settled share-based payment expenses	382	300
Currency translation (gains)/losses	(38)	268
Cash flows generated from/(used in) operating activities before changes in working capital	1,247	(2,931)
Exceptional Items in operating activities (see note 5)	-	(1,617)
Cash inflows/(outflows) from operating activities before changes in working capital	1,247	(4,548)
(Increase)/decrease in trade and other receivables	(3,693)	215
Increase in deferred income	994	-
(Increase) in inventories	(882)	(1,331)
Increase in trade and other payables	960	3,908
Net cash generated used in operating activities before tax	(1,374)	(1,756)
Tax received/(paid)	1,674	(2,013)
Net cash generated by/(absorbed by) operating activities	300	(3,769)
Cash flows from investing activities		
Interest received	70	45
Proceeds from disposal of property, plant and equipment	-	32
Investment in property, plant and equipment	(48,166)	(29,530)
Investment in intangible assets	(749)	(397)
Net cash used in investing activities	(48,845)	(29,850)
Cash flows from financing activities		
Proceeds from loans	26,000	7,500
Other finance costs	(93)	(325)
Proceeds from trade facility draw down	1,825	-
Interest paid	(1,157)	(716)
Repayment of finance lease	(12,209)	(322)
Repayment of loans/rolled up interest	(3,208)	-
Proceeds from issue of share capital	5,747	14,079
Proceeds from issue of subsidiary shares to non-controlling interests	900	14,420
Share issue costs	(28)	(1,771)
Net cash from financing activities	17,777	32,865
Net decrease in cash and cash equivalents	(30,768)	(754)
Effect of exchange rate changes on cash and cash equivalents	(73)	(721)
Opening cash and cash equivalents	39,698	41,173
Closing cash and cash equivalents	8,857	39,698

The notes on pages 87 to 122 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2019

1. Accounting Policies

Basis of accounting

The Group's financial statements have been prepared under the historical cost convention (except for certain financial instruments and equity investments which are measured at fair value), in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as endorsed by the European Union, interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under adopted IFRS.

Going Concern

These consolidated financial statements are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, and at least 12 months from the date these financial statements are approved.

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future taking into account the banking and finance facilities which are currently in place (see note 29 for details of these facilities). These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of ongoing working capital items in line with internally agreed budgets. The Directors have also considered the level and timing of capital expenditure required in relation to the new plant in Hull which is currently being built and further expansion of the Arnhem operation (with further details of the required capital expenditure and how this is to be financed to be confirmed as the detailed planning progresses).

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control, that there is no material uncertainty. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to achieve the Group's medium and long term objectives including reducing/deferring costs in some discretionary areas.

Therefore the Directors believe that the going concern basis is the most appropriate on which to prepare the financial statements.

Exceptional Items

Exceptional items are events or transactions that fall outside the ordinary activities of the Group and which by virtue of their size or incidence, have been separately disclosed in order to improve a reader's understanding of the financial statements. These include items relating to the restructuring of a significant part of the Group, impairment losses (or the reversal of previously recorded exceptional impairments), expenditure relating to the integration and implementation of significant acquisitions and other one-off events or transactions. See note 5 for details of exceptional items.

Business combinations

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquirer's identifiable assets, liabilities, and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

As allowed under IFRS 1, some business combinations effected prior to transition to IFRS, were accounted for using the merger method of accounting. Under this method, assets and liabilities are included in the consolidation at their book values, not fair values, and any differences between the cost of investment and net assets acquired were taken to the merger reserve. The majority of the merger reserve arose from a corporate restructuring in the year ended 31 March 2006 which introduced Accsys Technologies PLC as the new holding company.

Further details concerning the Tricoya® Consortium are included in note 9.

Notes to the Financial Statements continued

for the year ended 31 March 2019

1. Accounting Policies continued

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration receivable. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur based on the consideration in the contract. The following specific recognition criteria must also be met before revenue is recognised.

Manufacturing revenue

Revenue is recognised from the sale of goods and is measured at the amount of the transaction price received in exchange for transferring goods. The transaction price is the expected consideration to be received, to the extent that it is highly probable that there will not be a significant reversal of revenue in the future. When a customer provides untreated wood to be processed by the Group in order to produce Accoya®, revenue is recognised when the Group's performance obligations under the relevant customer contract have been satisfied, which is before the finished Accoya® has been collected by the customer. Manufacturing revenue includes the sale of Accoya® wood, Tricoya® panels and other revenue, principally relating to the sale of acetic acid.

Licensing fees and Marketing income

Licence fees and marketing income are recognised over the period of the relevant agreements according to the specific terms of each agreement or the quantities and/or values of the licensed product sold. The accounting policy for the recognition of licence fees is based upon satisfaction of the performance obligations set out in the contract such as an assessment of the work required before the licence is signed and subsequently during the design, construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. Marketing revenue, when the Company acts as principal, is recognised based on the actual work completed in the period. The amount of any cash or billings received but not recognised as income is included in the financial statements as deferred income and shown as a liability.

Finance income

Interest accrues using the effective interest method, i.e. the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Finance expense

Finance expenses include the fees, interest and other finance charges associated with the Group's loan notes and credit facilities, which are expensed over the period that the Group has access to the loans and facilities.

Foreign exchange gains or losses on the loan notes are included within finance expenses.

Interest on borrowings directly relating to the construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

Finance expense also includes an allocation of finance charges in respect of the sale and leaseback of the Arnhem land and buildings (the majority of the land and buildings were repurchased during the year, with finance charges being incurred up to the purchase date, further details on this repurchase are included in note 5 and 28), and the lease of London Office fit out and furniture, accounted for as a finance lease. The total finance charge (calculated as the difference between the total minimum lease payments and the liability at the inception of the lease) is allocated over the life of the lease using the sum-of-digits method.

Share based payments

The Company awards nil cost options to acquire shares of the Company to certain Directors and employees. The Company has also awarded bonuses to certain employees in the form of the award of deferred shares of the Company.

The fair value of options and deferred shares granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is charged to the consolidated statement of comprehensive income over the vesting period during which the employees become unconditionally entitled to the options or shares.

The fair value of share options granted is measured using a modified Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest only where vesting is dependent upon the satisfaction of service and non-market vesting conditions.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options which eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Pensions

The Group contributes to certain defined contribution pension and employee benefit schemes on behalf of its employees. These costs are charged to the consolidated statement of comprehensive income on an accruals basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date together with any adjustment to tax payable in respect of previous years. Current tax includes the expected impact of claims submitted by the Group to tax authorities in respect of enhanced tax relief for expenditure on research and development.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Recognition of deferred tax assets is restricted to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Notes to the Financial Statements continued

for the year ended 31 March 2019

1. Accounting Policies continued

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (the functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in euro, which is the functional currency of the parent Company, and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average monthly exchange rates prevailing in the month in which the transaction took place. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Such translation differences are reclassified to profit and loss only on disposal or partial disposal of the overseas operation.

Foreign exchange hedging

The Group has adopted IFRS 9 hedge accounting in respect of the cash flow hedging instruments that it uses to manage the risk of foreign exchange movements impacting on future cash flows and profitability.

The Group has prospectively assessed the effectiveness of its cash flow hedging using the 'hedge ratio' of quantities of cash held in the same currency as future foreign exchange cash flow quantities related to committed investment in plant and equipment. The Group has undertaken a qualitative analysis to confirm that an 'economic relationship' exists between the hedging instrument and the hedged item. It is also satisfied that credit risk will not dominate the value changes that result from that economic relationship.

At the end of each reporting period the Group measures the effectiveness of its cash flow hedging and recognises the effective cash flow hedge results in Other Comprehensive Income and the Hedging Effectiveness Reserve within Equity, together with its ineffective hedge results in Profit and Loss. Amounts are reclassified from the Hedging Effectiveness Reserve to Profit and Loss when the associated hedged transaction affects Profit and Loss. Further details are included in note 5.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with the attached conditions. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset they are credited to a deferred income account and released to the statement of comprehensive income over the expected useful life of the relevant asset on a straight line basis.

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. It is capitalised, and is subject to annual impairment reviews by the Directors. Any impairment arising is charged to the consolidated statement of comprehensive income. Where the fair value of the identifiable assets and liabilities acquired is greater than the fair value of consideration paid, the resulting amount is treated as a gain on a bargain purchase and has been recognised in the consolidated statement of comprehensive income.

Other intangible assets

Intellectual property rights, including patents, which cover a portfolio of novel processes and products, are shown in the financial statements at cost less accumulated amortisation and any amounts by which the carrying value is assessed during an annual review to have been impaired. At present, the useful economic life of the intellectual property is considered to be 20 years.

Internal development costs are incurred as part of the Group's activities including new processes, process improvements, identifying new species and improving the Group's existing products. Research costs are expensed as incurred. Development costs are capitalised when all of the criteria set out in IAS 38 'Intangible Assets' (including criteria concerning technical feasibility, ability and intention to use or sell, ability to generate future economic benefits, ability to complete the development and ability to reliably measure the expenditure) have been met. These internal development costs are amortised on a straight line basis over their useful economic life, between 8 and 20 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment charged. Cost includes the original purchase price of the asset as well as costs of bringing the asset to the working condition and location of its intended use. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset, except freehold land, over its expected useful life on a straight line basis, as follows:

Plant and machinery	These assets comprise pilot plants and production facilities. These facilities are depreciated from the date they become available for use over their useful lives of between 5 and 20 years
Office equipment	Useful life of between 2 and 5 years
Leased land and buildings	Land held under a finance lease is depreciated over the life of the lease
Freehold land	Freehold land is not depreciated

Impairment of non-financial assets

The carrying amount of non-current non-financial assets of the Group is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable, or in the case of goodwill, annually. The recoverable amount is the higher of value in use and the fair value less cost to sell. In assessing the value in use, the expected future cash flows from the assets are determined by applying a discount rate to the anticipated pre-tax future cash flows. An impairment charge is recognised in the consolidated statement of comprehensive income to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are amortised or depreciated in line with Group accounting policies. A previously recognised impairment loss, other than on goodwill, is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the consolidated statement of comprehensive income and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) for purposes of assessing impairment.

Leases

Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Notes to the Financial Statements continued

for the year ended 31 March 2019

1. Accounting Policies continued

Inventories

Raw materials, which consist of unprocessed timber and chemicals used in manufacturing operations, are valued at the lower of cost and net realisable value. The basis on which cost is derived is a first-in, first-out basis.

Finished goods, comprising processed timber, are stated at the lower of weighted average cost of production or net realisable value. Costs include direct materials, direct labour costs and production overheads (excluding the depreciation/depletion of relevant property and plant and equipment) absorbed at an appropriate level of capacity utilisation. Net realisable value represents the estimated selling price less all expected costs to completion and costs to be incurred in selling and distribution.

Financial assets

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value and in the case of investments not at fair value through profit or loss, fair value plus directly attributable transaction costs.

Except where a reliable fair value cannot be obtained, unlisted shares held by the Group are classified as fair value through other comprehensive income and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, with dividends recognised in profit or loss. Where it is not possible to obtain a reliable fair value, these investments are held at cost less provision for impairment.

Loans and receivables, which comprise non-derivative financial assets with fixed and determinable payments that are not quoted on an active market, are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Trade and other receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairments. The Group has elected to apply the IFRS 9 practical expedient option to measure the value of its trade receivables at transaction price, as they do not contain a significant financing element. The Group applies IFRS 9's 'simplified' approach that requires companies to recognise the lifetime expected losses on its trade receivables. At the date of initial recognition, the credit losses expected to arise over the lifetime of a trade receivable are recognised as an impairment and are adjusted, over the lifetime of the receivable, to reflect objective evidence reflecting whether the Group will not be able to collect its debts.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits, including liquidity funds, with an original maturity of three months or less. For the purpose of the statement of consolidated cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

Other financial liabilities

Trade payables and other financial liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Loans and other borrowings are initially recognised at the fair value of amounts received net of transaction costs and subsequently measured at amortised cost using the effective interest method. There have been no modifications to the terms of the Group's loan agreements requiring disclosure under IFRS 9.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's shares are classified as equity instruments.

Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive. The Chief Executive is responsible for allocating resources and assessing performance of the operating segments and has been identified as steering the committee that makes strategic decisions.

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in the Annual Report and financial statements that are not defined or specified according to IFRS. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

The most significant APMs are:

Net debt

A measure comprising short term and long-term borrowings (including finance lease obligations) less cash and cash equivalents. Net debt provides a measure of the Group's net indebtedness or overall leverage.

Underlying EBITDA

Operating (loss)/gain before Exceptional items and other adjustments, depreciation and amortisation. Underlying EBITDA provides a measure of the cash-generating ability of the business that is comparable from year to year.

Underlying EBIT

Operating (loss)/gain before Exceptional items and other adjustments. Underlying EBIT provides a measure of the operating performance that is comparable from year to year.

Effective interest rate

Net interest expense (excluding capitalisation of interest) expressed as a percentage of trailing 13-month average net debt provides a measure of the cost of borrowings.

2. Accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 17 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

Inventories

The Group reviews the net realisable value of, and demand for, its inventory on a monthly basis to provide assurance that recorded inventory is stated at the lower of cost and net realisable value after taking into account the age and condition of inventory.

Commercial negotiations

The Group is party to a number of commercial negotiations in the ordinary course of business. Management consults with internal and external experts, and utilises its best estimate to account for any relevant financial effect from these negotiations (including the value of amounts to be capitalised and any payables or provisions required to settle such negotiations), when they become apparent.

Notes to the Financial Statements continued

for the year ended 31 March 2019

2. Accounting judgements and estimates continued

Accounting judgements

In preparing the Consolidated Financial Statements, management has to make judgments on how to apply the Group's accounting policies and make estimates about the future. The critical judgments that have been made in arriving at the amounts recognised in the Consolidated Financial Statements and the key sources of uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below:

Revenue recognition

The Group has considered the criteria for the recognition of fee income from licensees over the period of the agreement and is satisfied that the recognition of such revenue is appropriate. The recognition of fees is based upon satisfaction of the performance obligations set out in the contract such as an assessment of the work required before the licence is signed and subsequently during the construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. The Group also considers the recoverability of amounts before recognising them as income. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of judgements in relation to discount rates and future forecasts (See note 16). The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues. While the scope and timing of the production facilities to be built under the Group's existing and future agreements remains uncertain, the Directors remain confident that revenue from own manufacturing, existing licensees, new licence or consortium agreements will be generated, demonstrating the recoverability of these balances.

Intellectual property rights (IPR) and property, plant and equipment

The Group tests the carrying amount of the intellectual property rights and property, plant and equipment whenever events or changes in circumstances indicate that the net book value may not be recoverable. These calculations require the use of estimates in respect of future cash flows from the assets by applying a discount rate to the anticipated pre-tax future cash flows. The Group also reviews the estimated useful lives at the end of each annual reporting period (See note 16 & 17). The price of the Accoya® wood and the raw materials and other inputs vary according to market conditions outside of the Group's control. Should the price of the raw materials increase greater than the sales price or in a way which no longer makes Accoya® competitive, then the carrying value of the property, plant and equipment or IPR may be in doubt and become impaired. The Directors consider that the current market and best estimates of future prices mean that this risk is limited.

Financial asset at fair value through profit or loss

The Group has an investment in listed equity shares carried at nil value. The investment is valued at cost less any impairment as a reliable fair value cannot be obtained since there is no active market for the shares and there is currently uncertainty around the future funding of the business. The Group makes appropriate enquiries and considers all of the information available to it in order to assess whether any impairment has occurred (See note 18).

Taxation

The tax charge for the year ended 31 March 2019 has reduced compared to the prior year as a result of a change to the group's transfer pricing policy to more accurately reflect the business model.

Consolidation of subsidiaries

The Group considers all relevant facts and circumstances when assessing whether it meets the IFRS 10 requirements to consolidate Tricoya Technologies Limited (TTL) and Tricoya Ventures UK Limited (TVUK). The Group has consolidated the results of TTL and TVUK as subsidiaries, as it exercises the power to govern the entities in accordance with IFRS 10. See note 9.

New standards and interpretations in issue at the date of authorisation of these financial statements:**New standards, amendments and interpretations**

The following amendments to Standards and a new Interpretation have been adopted for the financial year beginning on 1 April 2018 and have had no significant impact on the Group or parent Company's results:

- IFRS 15 – Revenue from contracts with customers;
- Annual improvements 2014 – 2016 cycle;
- Amendments to IAS 40 – Investment property;
- Amendments to IFRS 2 – Share based payments;
- Amendments to IFRS 4 – Insurance contracts;
- IFRIC 22 – Foreign currency transactions and advance consideration.

IFRS 9 – Financial instruments was early adopted in the previous financial year beginning 1 April 2017.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- Annual improvements 2015 – 2017 cycle;
- Amendments to IAS 19 – Employees Benefits;
- Amendments to IAS 28 – Investments in associates and joint ventures;
- Amendments to IFRS 9 – Financial instruments;
- IFRIC 23 – Uncertainty over income tax treatments.

The above standards are expected to be adopted when they become mandatorily effective.

The Group continues to assess the impact of IFRS 16 Leases which will be effective for periods beginning 1 January 2019, and will be adopted by the Group in the financial year beginning 1 April 2019. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset is of low value. The most significant impact of IFRS 16 will be that the Group's leased properties, which are currently classified as operating leases, will be recognised as a lease liability with a corresponding 'Right of use' asset in the Consolidated Statement of Financial Position. The Group expects to adopt the modified retrospective approach to transition. Our initial estimated impact is to recognise right-of-use assets and associated lease liabilities of between €1.8 million to €2.2 million.

The Directors do not expect that the adoption of any of the remaining Standards and Interpretations listed above to have a material impact on the financial statements of the Group in future periods.

Notes to the Financial Statements continued

for the year ended 31 March 2019

3. Segmental reporting

The Group's business is the manufacturing of and development, commercialisation and licensing of the associated proprietary technology for the manufacture of Accoya® wood, Tricoya® wood elements and related acetylation technologies. Segmental reporting is divided between corporate activities, activities directly attributable to Accoya®, to Tricoya® or Research and Development activities.

Accoya®

	Accoya® Segment					
	Year ended 31 March 2019			Year ended 31 March 2018		
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya® wood revenue	66,949	-	66,949	56,331	-	56,331
Licence revenue	1,043	-	1,043	-	-	-
Other revenue	5,916	-	5,916	4,380	-	4,380
Total Revenue	73,908	-	73,908	60,711	-	60,711
Cost of sales	(55,960)	-	(55,960)	(47,270)	-	(47,270)
Gross profit	17,948	-	17,948	13,441	-	13,441
Other operating costs excluding depreciation and amortisation	(8,955)	-	(8,955)	(8,797)	(348)	(9,145)
EBITDA	8,993	-	8,993	4,644	(348)	4,296
Depreciation and amortisation	(3,508)	-	(3,508)	(2,661)	-	(2,661)
Profit/(Loss) from operations	5,485	-	5,485	1,983	(348)	1,635

Revenue includes the sale of Accoya®, licence income and other revenue, principally relating to the sale of acetic acid and other licensing related income.

All costs of sales are allocated against manufacturing activities in Arnhem unless they can be directly attributable to a licensee. Other operating costs include all costs associated with the operation of the Arnhem manufacturing site, including directly attributable administration, sales and marketing costs.

See note 5 for explanation of Exceptional items and other adjustments.

Average headcount = 117 (2018: 105)

The below table shows details of reconciling items to show both Accoya® EBITDA and Accoya® Manufacturing gross profit, both including and excluding licence and licensing related income, which has been presented given the inclusion of items which can be more variable or one-off.

	2019 €'000	2018 €'000
Accoya® segmental underlying EBITDA	8,993	4,644
Accoya® Licence Income	(1,043)	-
Other income, predominantly for marketing services	(172)	(253)
Accoya® segmental underlying EBITDA (excluding Licence Income)	7,778	4,391
Accoya® segmental gross profit	17,948	13,441
Accoya® Licence Income	(1,043)	-
Other income, predominantly for marketing services	(172)	(253)
Accoya® manufacturing gross profit	16,733	13,188
Gross Accoya® Manufacturing Margin	23.0%	21.8%

Tricoya®

	Tricoya® Segment					
	Year ended 31 March 2019			Year ended 31 March 2018		
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Tricoya® panel revenue	634	-	634	-	-	-
Licence revenue	571	-	571	200	-	200
Other revenue	40	-	40	-	-	-
Total Revenue	1,245	-	1,245	200	-	200
Cost of sales	(557)	-	(557)	-	-	-
Gross profit	688	-	688	200	-	200
Other operating costs excluding depreciation and amortisation	(2,586)	24	(2,562)	(2,456)	(763)	(3,219)
EBITDA	(1,898)	24	(1,874)	(2,256)	(763)	(3,019)
Depreciation and amortisation	(242)	-	(242)	(197)	-	(197)
Profit/(Loss) from operations	(2,140)	24	(2,116)	(2,453)	(763)	(3,216)

Revenue and costs are those attributable to the business development of the Tricoya® process and establishment of Tricoya® Hull Plant.

See note 5 for explanation of Exceptional items and other adjustments.

Average headcount = 12 (2018: 4), noting a substantial proportion of the costs to date have been incurred via recharges from other parts of the Group or have resulted from contractors.

Corporate

	Corporate Segment					
	Year ended 31 March 2019			Year ended 31 March 2018		
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya® wood revenue	-	-	-	-	-	-
Licence revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross result	-	-	-	-	-	-
Other operating costs excluding depreciation and amortisation	(5,119)	-	(5,119)	(4,537)	(918)	(5,455)
Other Gain	-	-	-	-	32	32
EBITDA	(5,119)	-	(5,119)	(4,537)	(886)	(5,423)
Depreciation and amortisation	(175)	-	(175)	(166)	-	(166)
Loss from operations	(5,294)	-	(5,294)	(4,703)	(886)	(5,589)

Corporate costs are those costs not directly attributable to Accoya®, Tricoya® or Research and Development activities. This includes management and the Group's corporate and general administration costs including the head office in London.

See note 5 for explanation of Exceptional items and other adjustments.

Average headcount = 21 (2018: 19)

Notes to the Financial Statements continued

for the year ended 31 March 2019

3. Segmental reporting continued

Research and Development

	Research & Development Segment					
	Year ended 31 March 2019			Year ended 31 March 2018		
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya® wood revenue	-	-	-	-	-	-
Licence revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross result	-	-	-	-	-	-
Other operating costs excluding depreciation and amortisation	(1,073)	-	(1,073)	(1,350)	(155)	(1,505)
EBITDA	(1,073)	-	(1,073)	(1,350)	(155)	(1,505)
Depreciation and amortisation	(41)	-	(41)	(54)	-	(54)
Loss from operations	(1,114)	-	(1,114)	(1,404)	(155)	(1,559)

Research and Development costs are those associated with the Accoya® and Tricoya® processes. Costs exclude those which have been capitalised in accordance with IFRS (see note 16).

Average headcount = 9 (2018: 10)

Total

	TOTAL					
	Year ended 31 March 2019			Year ended 31 March 2018		
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya®/Tricoya® revenue	67,583	-	67,583	56,331	-	56,331
Licence revenue	1,614	-	1,614	200	-	200
Other revenue	5,956	-	5,956	4,380	-	4,380
Total Revenue	75,153	-	75,153	60,911	-	60,911
Cost of sales	(56,517)	-	(56,517)	(47,270)	-	(47,270)
Gross profit	18,636	-	18,636	13,641	-	13,641
Other operating costs excluding depreciation and amortisation	(17,733)	24	(17,709)	(17,140)	(2,184)	(19,324)
Other Gain	-	-	-	-	32	32
EBITDA	903	24	927	(3,499)	(2,152)	(5,651)
Depreciation and amortisation	(3,965)	-	(3,965)	(3,078)	-	(3,078)
Profit/(Loss) from operations	(3,062)	24	(3,038)	(6,577)	(2,152)	(8,729)
Finance income	-	-	-	-	-	-
Finance expense	(3,117)	(1,529)	(4,646)	(2,174)	502	(1,672)
Loss before taxation	(6,179)	(1,505)	(7,684)	(8,751)	(1,650)	(10,401)

See note 5 for details of Exceptional items and other adjustments.

Analysis of Revenue by geographical area of customers:

	2019 €'000	2018 €'000
UK and Ireland	32,099	25,799
Rest of Europe	19,487	15,273
Americas	9,316	8,153
Benelux	7,982	5,998
Asia-Pacific	6,099	5,252
Rest of World	170	436
	75,153	60,911

Revenue generated from three customers exceeded 10% of Group revenue of 2019. This included 73% of the revenue from the rest of Europe and relates to a mixture of Accoya®, Licensing, and Other Revenue. In addition, two other customers represented 34% and 34% respectively, of the revenue from the United Kingdom and Ireland and relate to Accoya® revenue. Revenue generated from three customers exceeded 10% of Group revenue in 2018 (79% of the revenue from the rest of Europe, and 37% and 30% respectively, of the revenue from the United Kingdom and Ireland).

Assets and liabilities on a segmental basis:

	Accoya® 2019 €'000	Tricoya® 2019 €'000	Corporate 2019 €'000	R&D 2019 €'000	TOTAL 2019 €'000	Accoya® 2018 €'000	Tricoya® 2018 €'000	Corporate 2018 €'000	R&D 2018 €'000	TOTAL 2018 €'000
Non-current assets	62,648	49,949	3,421	44	116,062	46,411	21,521	3,485	71	71,488
Current assets	25,504	9,288	(3,184)	4,916	36,524	25,112	36,095	(2,084)	4,382	63,505
Current liabilities	(17,251)	(8,358)	(771)	(39)	(26,419)	(14,034)	(8,318)	983	(45)	(21,414)
Net current assets	8,253	930	(3,955)	4,877	10,105	11,078	27,777	(1,101)	4,337	42,091
Non-current liabilities	(30,336)	(3,316)	(18,856)	-	(52,508)	(21,974)	(334)	(17,776)	-	(40,084)
Net assets	40,565	47,563	(19,390)	4,921	73,659	35,515	48,964	(15,392)	4,408	73,495

Analysis of non-current assets (Other than financial assets and deferred tax):

	2019 €'000	2018 €'000
UK	53,679	26,782
Other countries	58,152	40,475
Un-allocated - Goodwill	4,231	4,231
	116,062	71,488

The segmental assets in the current year were predominantly held in the UK and mainland Europe (Prior Year UK and mainland Europe). Additions to property, plant, equipment and intangible assets in the current year were predominantly incurred in the UK and mainland Europe (Prior Year UK and mainland Europe). There are no significant intersegment revenues.

Notes to the Financial Statements continued

for the year ended 31 March 2019

4. Other operating costs

Other operating costs consist of the operating costs, other than the cost of sales, associated with the operation of the plant in Arnhem, the offices in Dallas and London and certain pre-operating costs associated with the plant in Hull:

	2019 €'000	2018 €'000
Sales and marketing	3,286	3,967
Research and development	1,073	1,404
Other operating costs	4,591	4,134
Administration costs	8,783	7,635
Exceptional Items and other adjustments	(24)	2,184
Other operating costs excluding depreciation and amortisation	17,709	19,324
Depreciation and amortisation	3,965	3,078
Total other operating costs	21,674	22,402

Administrative costs include cost associated with Business Development and Legal departments, Intellectual Property as well as Human Resources, IT, Finance, Management and General Office and includes the costs of the Group's head office costs in London and the US Office in Dallas.

The total cost of €17,709,000 in the current period includes €2,562,000 in respect of the Tricoya® segment, compared to €3,219,000 in the previous period.

Group average headcount increased from 138 in the period to 31 March 2018, to 159 in the period to 31 March 2019.

During the period, €748,000 (2018: €396,000) of internal development and patent related costs were capitalised and included in intangible fixed assets, including €600,000 (2018: €337,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition €395,000 of internal costs have been capitalised in relation to the expansion of our plant in Arnhem, Netherlands (2018: €446,000) and €46,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (2018: €109,000). Both are included within tangible fixed assets.

5. Exceptional items and other adjustments

	2019 €'000	2018 €'000
Termination of finance lease on acquisition of land and buildings – Finance expense	(1,140)	-
Bonuses paid relating to year ending 31 March 2017	-	(1,386)
Restructuring costs	-	(231)
Gain from disposal of assets	-	32
Total exceptional items	(1,140)	(1,585)
Foreign exchange differences arising on Tricoya® cash held – Operating costs	24	(567)
Foreign exchange differences arising on Loan Notes – incl. in Finance expense	(389)	502
Foreign exchange differences on Tricoya® cash held – Other comprehensive income	(132)	202
Revaluation of FX forwards used for cash flow hedging – Other comprehensive income	143	-
Total other adjustments	(354)	137
Tax on exceptional items and other adjustments	-	-
Total exceptional items and other adjustments	(1,494)	(1,448)

Exceptional Items

An exceptional finance charge of €1.1m has been recognised as an exceptional finance expense in respect of the acquisition of the land and buildings in Arnhem from Bruil. The non-cash charge reflects the difference between the assets held under the finance lease and the finance lease liability which was terminated at the point the acquisition was completed.

In the prior year, €1.4m annual bonus paid in July 2017, which was attributable to the year ended 31 March 2017, was recorded in the year ended 31 March 2018 as an exceptional cost with the accrual for the financial year ended 31 March 2018 attributable bonus included in underlying operating costs. The double charge in the prior period resulted from a re-alignment of the timing of recognition of bonuses reflecting the more structured annual bonus scheme now in place compared to previous years. In addition the bonus paid in the year ended 31 March 2018 relating to the year ended 31 March 2017 included one-off targets relating to the formation of the Tricoya® consortium.

Other restructuring costs in the prior year related to changes required following the completion of the Tricoya® consortium in March 2017.

Other Adjustments

Foreign exchange differences in the Tricoya® segment have occurred due to pounds sterling held within the consortium for the ongoing Hull plant build. The Group has mitigated this currency exchange risk by adopting hedge accounting in respect of the Tricoya® plant construction under IFRS 9, Financial Instruments. The effective portion of the foreign exchange movement is recognised in other comprehensive income, with the ineffective portion recognised in operating costs.

Foreign exchange differences also arise on the pounds sterling denominated loan notes, entered into in a prior period. These exchange rate differences are included as finance expenses.

6. Employees

	2019 €'000	2018 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	11,119	11,293
Social security costs	1,747	1,509
Other pension costs	731	739
Share based payments	454	258
	14,051	13,799

The average monthly number of employees, including Executive Directors, during the year was as follows:

	2019	2018
Sales and marketing, administration, research and engineering	90	85
Operating	69	53
	159	138

Notes to the Financial Statements continued

for the year ended 31 March 2019

7. Directors' remuneration

	2019 €'000	2018 €'000
Directors' remuneration consists of:		
Directors' emoluments	1,307	1,291
Company contributions to money purchase pension schemes	47	49
	1,354	1,340

Compensation of key management personnel included the following amounts:

	Salary, bonus and short term benefits €'000	Pension €'000	Share based payments charge €'000	2019 Total €'000	2018 Total €'000
Paul Clegg	527	30	70	627	516
Hans Pauli ¹	210	9	19	238	351
William Rudge	280	8	25	313	272
	1,017	47	114	1,178	1,139

The Group made contributions to 2 (2018: 2) Directors' personal pension plans, with Paul Clegg receiving cash in lieu of pension from 1 April 2016.

The figures in the above table are impacted by foreign exchange noting that the remuneration for P Clegg and W Rudge are denominated in pounds sterling. Their total remuneration increased by 21% and 14% respectively, when excluding the impact of foreign exchange.

1. Hans Pauli amounts above for 2019 represent the remuneration received for the period to 31 December 2018, when he resigned as a Director.

8. Operating (loss)/gain

	2019 €'000	2018 €'000
This has been arrived at after charging:		
Staff costs	14,051	13,799
Depreciation of property, plant and equipment	3,354	2,496
Amortisation of intangible assets	611	582
Operating lease rentals	966	1,306
Foreign exchange (gains)/losses	(62)	834
Research & Development (excluding staff costs)	606	997
Loss on disposal of property, plant and equipment	-	3
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	74	85
Fees payable to the Company's auditors for other services:		
- audit of the Company's subsidiaries pursuant to legislation	169	147
- audit related assurance services	19	25
Total audit and audit related services:	262	257

No other services were provided by the Company's auditors in the year (2018: nil).

9. Tricoya Technologies Limited

Tricoya Technologies Limited ('TTL') was incorporated in order to develop and exploit the Group's Tricoya® technology for use within the worldwide panel products market, which is estimated to be worth more than €60 billion annually.

On 29 March 2017 the Group announced the entry into and successful completion of its agreements for the financing, construction and operation of the world's first Tricoya® wood elements acetylation plant in Hull with its TTL consortium investors, being BP, MEDITE, BGF and Volantis.

The Hull plant will have an initial production capacity of 30,000 tonnes per annum (sufficient to manufacture 40,000 cubic metres of panels) and scope to expand.

Structurally, Accsys, BP Ventures, MEDITE, BGF and Volantis have invested into TTL in 2017. TTL has then invested, alongside BP Chemicals and MEDITE, in Tricoya Ventures UK Limited ('TVUK'), a special purpose subsidiary of TTL that will construct, own and operate the Hull Plant.

BP have invested €21.2 million in the Tricoya® Project, including €14.6 million as equity in TVUK by BP Chemicals and €6.6 million as equity in TTL by BP Ventures. All funding was received by 31 March 2019, with €0.9m being received in the year ended 31 March 2019.

MEDITE have invested €11.0 million in the Tricoya® Project, including €7.0 million as equity in TTL and €4.0 million as equity in TVUK. All funding was received by 31 March 2018, with €nil being received in the year ended 31 March 2019.

During the year the Group increased its shareholding from 75.1% to 76.0% from the issue of 1,320,970 shares as a result of its continued supply of lower priced Accoya® to MEDITE, to enable continued market development ahead of the completion of the Hull Plant.

In the year ended 31 March 2017, BGF and Volantis invested an aggregate of £19.0 million as financial investors into both the Group and TTL. BGF and Volantis invested on similar terms but are investing separately, with BGF accounting for 65% of the £19.0 million total.

In the year ended 31 March 2017, TVUK entered a six-year €17.2 million (€15.0 million net) finance facility agreement with The Royal Bank of Scotland PLC in respect of the construction and operation of the Hull Plant. As at 31 March 2019 the Group have utilised €3.6m (2018: €0.3m) of the facility.

The Group has consolidated the results of TTL and TVUK as subsidiaries, as it exercises the power to govern the entities in accordance with IFRS 10. The non-controlling interests in both entities have been recognised in these Group financial statements.

Notes to the Financial Statements continued

for the year ended 31 March 2019

9. Tricoya Technologies Limited continued

The 'TTL Group' income statement and balance sheet, consisting of TTL and its subsidiary TVUK, are set out below:

TTL Group income statement:

	Consolidated 2019 €'000	Consolidated 2018 €'000
Revenue	1,246	200
Cost of sales	(590)	-
Gross Margin	656	200
Operating costs:		
Staff costs	(1,959)	(1,898)
Research & development (excluding staff costs)	(204)	(223)
Intellectual Property	(210)	(381)
Sales & Marketing	(486)	(376)
Depreciation & Amortisation	(242)	(197)
EBIT	(2,445)	(2,875)
EBIT attributable to Accsys shareholders	(1,439)	(1,911)

TTL Group balance sheet:

	2019 €'000	2018 €'000
Non-current assets		
Intangible assets	3,773	3,390
Property, plant and equipment	46,176	18,119
	49,949	21,509
Current assets		
Receivables due within one year	2,256	1,340
Cash and cash equivalents	6,890	34,754
FX Derivative Asset	143	-
	9,289	36,094
Current liabilities		
Trade and other payables	(11,674)	(8,639)
Net current assets	(2,385)	27,455
Net assets	47,564	48,964
Value attributable to Accsys Technologies	17,441	18,650
Value attributable to Non-controlling interests	30,123	30,314

10. Finance income

	2019 €'000	2018 €'000
Interest receivable on bank and other deposits*	-	-

* €70,000 interest received in the year ended 31 March 2019 (31 March 2018: €45,000) in relation to cash balances held in Tricoya Ventures UK Ltd was netted off with borrowing costs incurred, with the net borrowing cost amount related to the Hull project capitalised and included within property, plant and equipment.

11. Finance expense

	2019 €'000	2018 €'000
Arnhem land and buildings lease finance charge	274	575
Unwinding of Arnhem finance lease charge – exceptional item	1,140	-
Foreign exchange loss/(gain) on loan notes	389	(502)
Interest on loans	2,739	1,540
Other finance expenses	104	59
	4,646	1,672

12. Tax credit

	2019 €'000	2018 €'000
(a) Tax recognised in the statement of comprehensive income comprises:		
Current tax credit		
UK Corporation tax on profits for the year	-	-
Research and development tax expense/(credit) in respect of current year	55	(248)
	55	(248)
Overseas tax at rate of 15%	26	(9)
Overseas tax at rate of 25%	(863)	6
Deferred Tax		
Utilisation of deferred tax asset	-	-
Total tax credit reported in the statement of comprehensive income	(782)	(251)

Notes to the Financial Statements continued

for the year ended 31 March 2019

12. Tax credit continued

	2019 €'000	2018 €'000
(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2018 & 2019: 19%) due to:		
Loss before tax	(7,684)	(10,401)
Expected tax credit at 19% (2018 - 19%)	(1,460)	(1,976)
Expenses not deductible in determining taxable profit	115	110
(Over)/Under provision in respect of prior years	(863)	(29)
Tax losses for which no deferred income tax asset was recognised	1,468	1,860
Effects of overseas taxation	(97)	34
Other temporary differences	-	(2)
Research and development tax credit in respect of prior years	194	15
Research and development tax credit in respect of current year	(139)	(263)
Total tax credit reported in the statement of comprehensive income	(782)	(251)

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. The UK corporation tax rate is due to be reduced to 17% in April 2020.

13. Dividends Paid

	2019 €'000	2018 €'000
Final Dividend €Nil (2018: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

14. Loss per share

The calculation of loss per ordinary share is based on loss after tax and the weighted average number of ordinary shares in issue during the year.

Basic and diluted earnings per share	2019		2018	
	Underlying	Total	Underlying	Total
Weighted average number of Ordinary shares in issue ('000)	116,343	116,343	111,250	111,250
Loss for the year attributable to owners of Accsys Technologies PLC (€'000)	(4,391)	(5,896)	(7,536)	(9,186)
Basic and diluted loss per share	€ (0.04)	€ (0.05)	€ (0.07)	€ (0.08)

Basic and diluted losses per share are based upon the same figures. IAS 33 'Earning per share' defines Dilutive share options as share options which would decrease profit per share or increase loss per share. Equity options are disclosed in note 30, which if exercised, would decrease loss per share.

15. Share based payments

The Group operates a number of share schemes which give rise to a share based payment charge. The Group operates a Long Term Incentive Plan ('LTIP') in order to reward certain members of staff including the Senior Management Team and the Executive Directors. As part of the award of nil costs options under the LTIP in 2013, the recipients relinquished all share options that they held which had been awarded under the 2005 and 2008 Share Option plans. Other employees continue to hold options awarded under these earlier schemes.

Options – total

The following figures take into account options awarded under the LTIP, together with share options awarded in previous years under the 2005 and 2008 Share Option schemes.

Outstanding options granted are as follows:

Date of grant	Number of outstanding options at 31 March		Weighted average remaining contractual life, in years	
	2019	2018	2019	2018
18 June 2008	-	8,498	-	0.3
8 December 2008	-	25,211	-	0.7
1 August 2011	90,000	115,000	2.3	3.3
19 September 2013 (LTIP)	2,177,675	2,247,850	4.5	5.5
24 June 2016 (LTIP)	482,827	1,015,030	7.3	8.3
20 June 2017 (LTIP)	1,046,076	1,087,842	8.3	9.3
18 June 2018 (LTIP)	1,138,843	-	9.3	-
Total	4,935,421	4,499,431	6.6	6.9

Movements in the weighted average values are as follows:

	Weighted average exercise price	Number
Outstanding at 31 March 2017	€ 0.31	3,929,279
Granted during the year	€ 0.00	1,087,842
Forfeited during the year	€ 2.15	(245,044)
Exercised during the year	€ 0.00	(249,700)
Expired during the year	€ 0.00	(22,946)
Outstanding at 31 March 2018	€ 0.15	4,499,431
Granted during the year	€ 0.00	1,170,159
Forfeited during the year	€ 0.02	(630,285)
Exercised during the year	€ 0.00	(70,175)
Expired during the year	€ 6.12	(33,709)
Outstanding at 31 March 2019	€ 0.10	4,935,421

The exercise price of options outstanding at the end of the year ranged between €nil (for LTIP options) and €0.50 (2018: €nil and €9.90) and their weighted average contractual life was 6.6 years (2018: 6.9 years).

Of the total number of options outstanding at the end of the year, 2,267,675 (2018: 126,236) had vested and were exercisable at the end of the year.

Notes to the Financial Statements continued

for the year ended 31 March 2019

15. Share based payments continued

Long Term Incentive Plan ('LTIP')

In 2013, the Group established a Long Term Incentive Plan, the participants of which are key members of the Senior Management Team, including Executive Directors. The establishment of the LTIP was approved by the shareholders at the AGM in September 2013.

2013 LTIP Award performance conditions and 2016 outcome

The LTIP in 2013 awarded 4,103,456 nil cost options and 2,472,550 vested in the financial year end 31 March 2017. 2,177,675 nil cost options remain as at 31 March 2019 after allowing for forfeitures and options exercised in the year.

Awards made in June 2016 and LTIP Award performance conditions

Following the vesting of the LTIPs awarded in September 2013, a further award was made to members of the Senior Management Team, including Executive Directors. A total of 1,070,255 nil cost options were awarded.

The LTIP plan rules were amended in November 2015 such that awards made in summer 2016 are subject to a three year performance period (i.e. year end March 2019) and a further two year holding period. In addition, awards are also subject to malus/claw-back provisions. The 2016 LTIP EBITDA award performance metrics are measured to 31 March 2019, with the award set to vest in June 2019. As at 31 March 2019 the expected vesting amount is estimated to be 482,827 share options.

Metric	Weighting (% of award)	Threshold	Target	Maximum
Vesting (% of maximum)		25%	50%	100%
EBITDA per share in FY19	50%	€0.06	€0.08	€0.10
Share Price Growth vs Comparator Group	50%	Median	N/A	Upper Quartile

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- Comparator Group is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors).

Element	Element A (Share price growth)	Element B (EBITDA per share)
Grant date	27 Jun 16	27 Jun 16
Share price at grant date (€)	0.81	0.81
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	Share Price	EBITDA
Risk free rate	-0.64%	-0.64%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€0.187	€0.749

Awards made in June 2017 and LTIP Award performance conditions

During the prior year, a total of 1,087,842 LTIP awards were made primarily to members of the Senior Management Team including the Executive Directors:

The performance targets for 937,014 of these awards are as follows:

Metric	Weighting (% of award)	Threshold	Target	Maximum
Vesting (% of maximum)		25%	50%	100%
EBITDA per share in FY20	50%	€0.04	€0.06	€0.08
Share Price Growth vs Comparator Group	50%	Median	N/A	Upper Quartile

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- Comparator Group is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors).

Element	Element A (Share price growth)	Element B (EBITDA per share)
Grant date	20 Jun 17	20 Jun 17
Share price at grant date (€)	0.88	0.88
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	Share Price	EBITDA
Risk free rate	-0.60%	-0.60%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€0.203	€0.814

The remaining 150,828 of the awards made in summer 2017 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation.

The fair value of these options were €0.814 on their Grant date.

All of the above awards, made in summer 2017 are subject to a three year performance period (i.e. year end March 2020) and a further two year holding period. In addition, awards are also subject to malus/claw-back provisions.

Awards made in June 2018 and LTIP Award performance conditions

During the year, a total of 1,170,160 LTIP awards were made primarily to members of the Senior Management Team including the Executive Directors:

The performance targets for 993,220 of these awards are as follows:

Metric	Weighting (% of award)	Threshold	Maximum
Vesting (% of maximum)		25%	100%
EBITDA per share in FY21	60%	€0.05	€0.13
Total sales volume (subject to Group EBITDA being breakeven or positive)	40%	70,000	85,000

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.

Notes to the Financial Statements continued

for the year ended 31 March 2019

15. Share based payments continued

Element	Element A (EBITDA per share)	Element B (Sales volume growth)
Grant date	19 Jun 18	19 Jun 18
Share price at grant date (€)	0.91	0.91
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	EBITDA	Sales volume growth
Risk free rate	-0.55%	-0.55%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€0.842	€0.842

The remaining 176,940 of the awards made in summer 2018 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation.

The fair value of these options were €0.842 on their Grant date.

All of the above awards, made in summer 2018 are subject to a three year performance period (i.e. year end March 2021) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions.

2005 and 2008 Share Option schemes

Awards made in earlier years had no impact on the income statement in the current or prior period and given the smaller number of options remaining, no details have been disclosed.

Employee Benefit Trust – Share bonus award

Following a share issue on 25 June 2018 as part of the annual bonus, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2017 to 31 March 2018, 173,915 (2018: 295,874) new Ordinary shares were held by an Employee Benefit Trust, the beneficiaries of which are primarily other senior employees. Such new Ordinary shares vest if the employees remain in employment with the Company at the vesting date, being 1 July 2019 (subject to certain other provisions including regulations, good-leaver, take-over and Remuneration Committee discretion provisions). As at 31 March 2019, the Employment Benefit Trust was consolidated by the Company and the 173,915 shares are recorded as Own Shares within equity. During the period, 295,874 Ordinary shares awarded in the prior year vested.

16. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 31 March 2017	5,942	73,292	4,231	83,465
Additions	396	-	-	396
At 31 March 2018	6,338	73,292	4,231	83,861
Additions	458	290	-	748
At 31 March 2019	6,796	73,582	4,231	84,609
Accumulated amortisation				
At 31 March 2017	1,163	71,463	-	72,626
Amortisation	307	275	-	582
At 31 March 2018	1,470	71,738	-	73,208
Amortisation	326	285	-	611
At 31 March 2019	1,796	72,023	-	73,819
Net book value				
At 31 March 2019	5,000	1,559	4,231	10,790
At 31 March 2018	4,868	1,554	4,231	10,653
At 31 March 2017	4,779	1,829	4,231	10,839

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation are split between two cash generating units, representing the Accoya® and Tricoya® segments. The recoverable amount of internal development costs, intellectual property rights and goodwill relating to each unit is determined based on a value in use calculation which uses cash flow projections based on Board approved financial budgets. Cash flows have been projected for a period of 12 years, including a six year forecast and six years of 2% growth plus assumptions concerning a terminal value and based on a pre-tax discount rate of 10% per annum (2018: 12%). The key assumption used in the value in use calculations is the level of future licence fees and manufacturing revenues estimated by management over the budget period. These have been based on past experience and expected future revenues. The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. An impairment would arise if the total volume of forecast Accoya® and Tricoya® manufactured is significantly lower than projected sales in future years.

Notes to the Financial Statements continued

for the year ended 31 March 2019

17. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2017	1,645	37,756	1,379	40,780
Additions	10,433	31,104	116	41,653
Foreign currency translation loss	-	-	(19)	(19)
At 31 March 2018	12,078	68,860	1,476	82,414
Additions	17,997	41,490	1,541	61,028
Termination of finance lease	(12,099)	(4,742)	-	(16,841)
Foreign currency translation profit	-	-	12	12
At 31 March 2019	17,976	105,608	3,029	126,613
Accumulated depreciation				
At 31 March 2017	658	17,428	1,013	19,099
Charge for the year	275	2,024	197	2,496
Disposals	-	3	-	3
Foreign currency translation loss	-	-	(19)	(19)
At 31 March 2018	933	19,455	1,191	21,579
Charge for the year	299	2,806	249	3,354
Termination of finance lease	(953)	(2,651)	-	(3,604)
Foreign currency translation profit	-	-	12	12
At 31 March 2019	279	19,610	1,452	21,341
Net book value				
At 31 March 2019	17,697	85,998	1,577	105,272
At 31 March 2018	11,145	49,405	285	60,835
At 31 March 2017	987	20,328	366	21,681

Included within property, plant and equipment are assets with an initial cost of €2,276,000 (2018: €18,962,000) and a net book value at 31 March 2019 of €1,847,000 (2018: €15,141,000) which has been accounted for as a finance lease (See note 28). During the period the land and buildings in Arnhem which were previously subject to a finance lease were purchased from the landlord resulting in the finance lease, and related operating lease being terminated. The net impact of the above transaction was to increase fixed assets by €9.8m with net debt increasing by €10.9m.

In addition, plant and machinery assets with a net book value of €47,136,000 are held as assets under construction and are not depreciated, relating to the Hull Plant (31 March 2018: €19,326,000 relating to the Hull Plant, and €14,768,000 relating to the Arnhem plant expansion).

18. Financial asset at fair value through profit or loss

	2019 €'000	2018 €'000
Shares held in Cleantech Building Materials PLC	-	-

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. On 23 December 2016, Cleantech Building Materials PLC acquired Diamond Wood China. On 19 April 2017 Cleantech Building Materials acquired the 21,666,734 shares previously owned by the Company and in return the Company has been issued with 520,001 shares in Cleantech Building Materials PLC, a listed company trading on the Nasdaq First North market in Copenhagen and the Wiener Boerse of the Vienna Stock Exchange.

There continues to be no active market for these shares as at 31 March 2019, and there is significant uncertainty over the future of Cleantech Building Materials PLC. As such a reliable fair value cannot be calculated and the investment is carried at a nil value (2018: nil).

The historical cost of the listed shares held at 31 March 2019 is €10m (2018: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2019.

During the prior year Accsys sold 21,479 shares at €1.50 per share resulting in a gain of €32,000. A total of 498,522 shares were held at 31 March 2019.

19. Deferred taxation

The Group has a deferred tax asset of €nil (2018: €nil) relating to trading losses brought forward.

The Group also has an unrecognised deferred tax asset of €27m (2018: €25m) which is largely in respect of trading losses of the UK subsidiaries. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the related legal entities which is dependent on the profits attributable to licensing and future manufacturing income.

20. Subsidiaries

A list of subsidiary investments, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the Company's separate financial statements.

21. Inventories

	2019 €'000	2018 €'000
Raw materials and work in progress	9,733	10,285
Finished goods	4,275	2,840
	14,008	13,125

The amount of inventories recognised as an expense during the year was €50,174,355 (2018: €42,893,599). The cost of inventories recognised as an expense includes a net credit of €87,090 (2018: credit of €31,402) in respect of the inventories sold in the period which had previously been written down to net realisable value.

Notes to the Financial Statements continued

for the year ended 31 March 2019

22. Trade and other receivables

	2019 €'000	2018 €'000
Trade receivables	10,725	6,659
Other receivables	839	157
Prepayments	1,474	2,519
	13,038	9,335

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The majority of trade and other receivables is denominated in euros, with €798,000 of the trade and other receivables denominated in US dollars (2018: €714,000).

The age of receivables past due but not impaired is as follows:

	2019 €'000	2018 €'000
Up to 30 days overdue	2,287	350
Over 30 days and up to 60 days overdue	766	-
Over 60 days and up to 90 days overdue	1	-
Over 90 days overdue	2	3
	3,056	353

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Included in the provision for doubtful debts are individually impaired trade receivables and accrued income with a balance of €25,002,000 (2018: €25,002,000) due from Diamond Wood.

Movement in provision for doubtful debts:

	2019 €'000	2018 €'000
Balance at the beginning of the year	25,002	25,001
Net increase/(release) of impairment if not required	-	1
Balance at the end of the year	25,002	25,002

23. Trade and other payables

	2019 €'000	2018 €'000
Trade payables	7,936	9,458
Other taxes and social security payable	338	228
Accruals and deferred income	11,689	8,326
	19,963	18,012

24. Share capital

	2019 €'000	2018 €'000
Allotted – Equity share capital		
117,988,305 Ordinary shares of €0.05 each (2018: 111,513,145 Ordinary shares of €0.05 each)	5,900	5,576
	5,900	5,576

In year ended 31 March 2018:

On 24 April 2017 a total of 20,323,986 of €0.05 Ordinary shares were issued at €0.69 per share, in accordance with the Company's capital raise announced on the 29 March 2017.

97,720 shares were issued on 23 June 2017 to an Employee Benefit Trust ('EBT') at nominal value.

198,154 shares were issued on 27 September 2017 to an Employee Benefit Trust ('EBT') at nominal value.

106,189 shares were issued on 27 September 2017 to an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP').

143,511 shares were issued on 26 February 2018 to an ex-employee. 118,511 of these Shares were issued and allotted following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP'), with the balance of 25,000 Shares issued as part of the individual's severance terms.

In year ended 31 March 2019:

On 18 July 2018, 6,231,070 ordinary shares were issued to VP Participaties BV, the investment company of the Van Puijenbroek family, at a price of €0.92 per share. Proceeds of €5,704,000 were received net of expenses of €28,000.

173,915 shares were issued on 25 June 2018 to an Employee Benefit Trust ('EBT') at nominal value. In addition, of the Ordinary Shares which had been issued to the EBT in the previous year, 295,874 Ordinary Shares vested on 01 July 2018. Of these beneficiaries elected to sell 128,213 Ordinary Shares in the market, with sale date of 2 August 2018.

70,175 shares were issued on 18 February 2019 for the benefit of an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP').

Notes to the Financial Statements continued

for the year ended 31 March 2019

25. Other reserves

	Capital redemption reserve €000	Merger reserve €000	Hedging Effectiveness reserve €000	Other reserve €000	Total Other reserves €000
Balance at 31 March 2018	148	106,707	306	2,264	109,425
Total comprehensive income/(expense) for the period	-	-	11	-	11
Issue of subsidiary shares to non-controlling interests	-	-	-	85	85
Balance at 31 March 2019	148	106,707	317	2,349	109,521

The closing balance of the capital redemption reserve represents the amounts transferred from share capital on redemption of deferred shares in a previous year.

The merger reserve arose prior to transition to IFRS when merger accounting was adopted.

The hedging effectiveness reserve reflects the total accounted for under IFRS 9 in relation to the Tricoya® segment (see note 1).

The other reserve represents the amounts received for subsidiary share capital from non-controlling interests net with the carrying amount of non-controlling interests issued (see note 26).

26. Transactions with non-controlling interests

In the year ended 31 March 2018:

On 5 September 2017, TTL issued 284,716 shares to Titan Wood Limited. On 9 February 2018, TTL issued 495,571 shares to Titan Wood Limited. As a result the non-controlling interests' shareholdings were amended to:

BP Ventures (8.8%), MEDITE (11.9%), BGF (2.7%), Volantis (1.5%)

On 20 September 2017, Tricoya Ventures UK Limited ('TVUK') issued Ordinary shares to non-controlling interests for consideration of €11.50 million. In addition on the 6 October 2017, Tricoya Ventures UK Limited ('TVUK') issued Ordinary shares to non-controlling interests for consideration of €2.92 million. As a result the non-controlling interests' shareholdings remained unchanged at:

BP Chemicals (30%), MEDITE (8.2%)

In the year ended 31 March 2019:

On 4 June 2018, TTL issued 339,940 shares to Titan Wood Limited. On 20 September 2018, TTL issued 289,140 shares to Titan Wood Limited. On 22 March 2019, TTL issued 691,890 shares to Titan Wood Limited. As a result the non-controlling interests' shareholdings were amended to:

BP Ventures (8.5%), MEDITE (11.5%), BGF (2.6%), Volantis (1.5%)

On 27 December 2018, TVUK issued Ordinary shares to non-controlling interests for consideration of €0.90 million. As a result the non-controlling interests' shareholdings were amended to:

BP Chemicals (31.3%, MEDITE 8.0%)

The total carrying amount of the non-controlling interests in TTL and TVUK at 31 March 2019 was €30.12 million (2018: €30.31 million).

The Group recognised an increase in other reserves as summarised below.

Transactions with non-controlling interests

	2019 €'000	2018 €'000
Opening Balance	2,840	7,077
Carrying amount of non-controlling interests issued	(815)	(18,658)
Consideration paid by non-controlling interests	900	14,420
Share issue costs relating to non-controlling interests	-	1
Excess of consideration paid recognised in Group's equity	2,925	2,840

27. Commitments under operating leases

The Group leases land, buildings and machinery under non-cancellable operating lease agreements. The total future value of the minimum lease payments that are due is as follows:

	2019 €'000	2018 €'000
Operating lease payments due		
Within one year	755	1,063
In the second to fifth years inclusive	785	2,428
In greater than five years	1,030	5,339
	2,570	8,830

The majority of commitments under operating leases relate to the Group's offices in UK, U.S.A. and Arnhem, together with the land in Hull used for the Tricoya® plant.

The decrease in operating lease commitments in the year includes €5.7m relating to the cancellation of the Bruil operating lease associated with the land and buildings purchase in Arnhem.

28. Commitments under finance leases

During the prior periods various agreements were reached relating to the sale and leaseback of the land and buildings in Arnhem, of which a large portion of these were accounted for as a finance lease. In April 2018, agreements were reached to purchase the land and buildings associated with the Accoya® plant and logistics centre in Arnhem from the landlord, Bruil, for the purchase price of €23m. In the prior year, a finance lease liability of €12.0m was recorded as at 31 March 2018. This was terminated following the purchase, therefore reducing the present value of the lease obligations in the current year.

A further lease agreement with Bruil was entered into in the prior period relating directly to infrastructure work associated with the expansion of the chemical plant. This continues to be accounted for as a finance lease for a total of €1.7m as at 31 March 2019 (2018: €1.9m).

In addition, during a prior period, agreements were entered into for the lease of office fit-out and furniture for the London head office for a total of €0.1m (2018: €0.2m).

These transactions have resulted in a finance lease creditor of €2.0m as at 31 March 2019.

	Minimum lease payments	
	2019 €'000	2018 €'000
Amounts payable under finance leases:		
Within one year	257	1,390
In the second to fifth years inclusive	890	5,317
After five years	2,706	15,702
Less: future finance charges	(1,832)	(8,237)
Present value of lease obligations	2,021	14,172

Notes to the Financial Statements continued

for the year ended 31 March 2019

29. Commitments under loan agreements

	2019 €'000	2018 €'000
Amounts payable under loan agreements:		
Within one year	7,485	2,581
In the second to fifth years inclusive	60,366	26,816
After five years	2,713	10,717
Less future finance charges	(13,655)	(10,817)
Present value of loan obligations	56,909	29,297

The change in total borrowings in the period of €27.6m principally consisted of an increase of a €23.0m cash flow arising from new financing arrangements in respect of the Arnhem property sale, explained further below, €3.0m drawdown of the Tricoya® RBS facility, €1.8m drawdown on the working capital facility, net with repayments in the year of €0.2m.

Facilities relating to purchase of Arnhem land and buildings:

On 1 August 2018 the Group entered into a package of facilities to fully finance the purchase of the land and buildings in Arnhem. The partially amortising package of loans includes the following:

- €14.0m loan with ABN Amro Bank. The loan is partially repayable over a five year term with a final payment of €9.25m. Interest is fixed at 3% and the loan is secured on the land and buildings.
- €5.0m lease loan with ABN Asset Based Finance is repayable over a five year term with an implied interest rate of approximately 3%. The loan is secured on the first two Accoya® reactors.
- €4.0m loan with Bruil, the seller and previous landlord. The balance is repayable from July 2021 to July 2023 with interest fixed at 5%. The loan is unsecured.

Loan Notes:

On 29 March 2017 the Group issued £16.3 million (€18.4 million) of unsecured fixed rate loan notes, due 2021. £10.5 million of Loan Notes in principal were issued to Business Growth Fund ('BGF'), with £5.8 million in principal issued to Volantis. The BGF loan notes are subject to a 7% fixed interest rate for the duration of their term and the Volantis loan notes are subject to a 7% fixed interest rate until 31 December 2018, with the interest rate fixed at 9% thereafter. Interest is rolled up until 31 December 2018 on both loans, with further roll up of interest on the Volantis loan until six-monthly redemption payments of both loans commence on 31 December 2021 and end on 30 June 2023.

BGF is an investment company that provides long-term equity funding to growing UK companies to enable them to execute their strategic plans. Volantis is a global asset management firm specialising in alternative investment strategies and is owned by Lombard Odier.

Cerdia Production Facility:

On 29 December 2016 the Group drew down €2.0 million of its €9.5 million term loan facility with Cerdia Production GmbH. The Group has since drawn down €5.5m on 03 November 2017 and €2.0 million on 29 March 2018. The facility was used to design, procure and build the third reactor of the Arnhem Plant. This facility is secured against the third reactor of the Arnhem chemical plant and associated assets and is subject to interest at 7.5% per annum. At 31 March 2019, the Group had €9.7m (2018: €9.9m) borrowed under this facility. Quarterly repayments of the loan commenced on 21 December 2018 until November 2025, with €916,000 repaid in the year ended 31 March 2019.

Tricoya® facility:

On 29 March 2017 the Company's subsidiary, Tricoya Ventures UK Limited entered into a six-year €17.2 million (€15.0 million net) finance facility agreement with the Royal Bank of Scotland PLC in respect of the construction and operation of the Hull Plant. The facility is secured by fixed and floating charges over all assets of Tricoya Ventures UK Limited. At 31 March 2019, the Group had €3.6m (2018: €0.3m) borrowed under the facility. Two drawdowns of the loans were undertaken in the period, totalling €3.0m. The facility is to be drawn down as required, and facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

Trade receivable and inventory facilities:**Working capital facility**

In May 2018 the Group amended its working capital facility with ABN Commercial Finance, initially agreed in 2011. The facility is now a €6.0m credit facility secured upon the receivables and inventory of the Accoya® manufacturing business committed for a period of 5 years. At 31 March 2019, the Group had used €1.8m (2018: €nil) of this facility.

Bank guarantee facility

In August 2016 the Group amended its credit facility agreement with ABN AMRO Bank N.V., which had been initially agreed in 2013. The facility is a contingent liability facility enabling the Group to issue bank guarantees in order to support the working capital and other operational commitments of the Group with a limit of €1.5m.

Both facilities are subject to interest at 2% above the ABN AMRO base rate.

Reconciliation to net debt:

	2019 €'000	2018 €'000
Cash and cash equivalents	8,857	39,698
Less:		
Amounts payable under loan agreements	(56,909)	(29,297)
Amounts payable under finance leases (note 28)	(2,021)	(14,172)
Net debt	(50,073)	(3,771)

30. Equity options

On 2 February 2016 the Company's subsidiary, Tricoya Technologies Limited, issued Warrants to subscribe for up to 175,000 of its Series A Preference Shares in favour of BP Ventures Limited (100,000) and Titan Wood Limited (75,000) at a price of €2.00 per Warrant Share during the 'Exercise Period', which started on 2 February 2016 and runs to the earlier of either (i) 2 February 2021; (ii) the date of an Exit; and (iii) exercise of the Option.

On the 29 March 2017, the Company announced the formation of the Tricoya® Consortium and as part of this, funding was agreed with BGF and Volantis (see note 29). In addition to the issue of the Loan Notes the Company granted options over Ordinary Shares of the Company to BGF and Volantis exercisable at a price of £0.62 per Ordinary Share at any time until 31 December 2026 (the 'Options').

5,838,954 Options were issued to BGF and 3,217,383 Options were issued to Volantis. In addition, the Company agreed to use its reasonable endeavours to obtain shareholder authority at the subsequent General Meeting to grant to BGF a further option in respect of 2,610,218 Ordinary Shares and to grant to Volantis a further option in respect of 1,438,284 Ordinary Shares (the "Additional Options").

The necessary resolutions were passed at the General Meeting held on 21 April 2017 and accordingly the Additional Options have been converted to Options, such that at 31 March 2019 a total 13,104,839 Options exist (with 8,449,172 attributable to BGF and 4,655,667 attributable to Volantis). This represents 11.1% of the enlarged issued share capital of the Company as at 31 March 2019.

Notes to the Financial Statements continued

for the year ended 31 March 2019

31. Financial instruments

Finance lease

Finance lease creditors of €2,021,000 as at 31 March 2019 (2018: €14,172,000) largely relates to the infrastructure work for the chemical plant in Arnhem, which has a 20 year lease period with the ability to extend further (See note 28).

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the parent Company, comprising share capital, reserves and accumulated losses.

The Board reviews the capital structure on a regular basis. As part of that review, the Board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Group will balance its overall capital structure through new share issues and the raising of debt if required.

No final dividend is proposed in 2019 (2018: €nil). The Board deems it prudent for the Company to protect as strong a statement of financial position as possible during the current phase of the Company's growth strategy.

Categories of financial instruments	2019 €'000	2018 €'000
Financial asset at fair value through profit or loss	-	-
Loans and receivables		
Trade receivables	10,725	6,659
Other receivables	839	157
FX derivative asset	143	-
Money market deposits in euro	52	1,325
Money market deposits in sterling	3,526	17,067
Money at call in euro	3,308	7,506
Money at call in US dollars	864	165
Money at call in sterling	1,107	13,635
Financial liabilities at amortised cost		
Trade payables	(7,936)	(9,458)
Finance lease payable	(2,021)	(14,172)
Other payables	-	-
Loan notes and other long term borrowings	(56,909)	(29,297)
	(46,302)	(6,413)

Money market deposits have interest rates fixed for less than three months at a weighted average rate of 0.19% (2018: 0.36%). Money market deposits are held at financial institutions with high credit ratings (Standard & Poor's rating of A).

All assets and liabilities mature within one year except for the finance leases, for which details are given in note 28 and loans, for which details are given in note 29.

Trade payables are payable on various terms, typically not longer than 30 days with the exception of some major capex items.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Financial risk management objectives

The Group's treasury policy is structured to ensure that adequate financial resources are available for the development of its business whilst managing its currency, interest rate, counterparty credit and liquidity risks. The Group's treasury strategy and policy are developed centrally and approved by the Board.

Foreign currency risk management

The Group's functional currency is the euro with the majority of operating costs and balances denominated in euros. An increasing proportion of costs will be incurred in pounds sterling as the Group's activities associated with the Tricoya® plant in Hull increase, although future revenues will be in euros or other currencies. The group's Loan Notes, which were issued to fund these UK based operations, are denominated in pounds sterling. A smaller proportion of expenditure is incurred in US dollars and pounds sterling. In addition some raw materials, while priced in euros, are sourced from countries which are not within the Eurozone. The Group monitors any potential underlying exposure to other exchange rates. The Group holds a proportion of the cash associated with the Tricoya® Consortium in pounds sterling to reflect the expected costs associated with the construction of the plant in Hull and accordingly is accounted for as a cash flow hedge (see note 5).

Interest rate risk management

The Group's borrowings are limited to fixed rate loans with BGF, Volantis, Cerdia, ABN Amro and Bruil, together with the remaining Arnhem finance lease and the lease of the office fit out and furniture in London. The interest rate in respect of the loan facility agreed with RBS Bank is variable, based on Euribor plus a variable margin. Therefore the Group is not significantly exposed to interest rate risk in relation to financial liabilities. Surplus funds are invested in short term interest rate deposits to reduce exposure to changes in interest rates. The Group does not currently enter into any interest rate hedging arrangements, although will review the need to do so in respect of the variable interest rate loan facility with RBS Bank.

Credit risk management

The Group is exposed to credit risk due to its trade receivables receivable from customers and cash deposits with financial institutions. The Group's maximum exposure to credit risk is limited to their carrying amount recognised at the balance sheet date.

The Group ensures that sales are made to customers with an appropriate credit history to reduce the risk where this is considered necessary. The Directors consider the trade receivables at year end to be of good credit quality including those that are past due (see note 22). The Group is not exposed to any significant credit risk exposure in respect of any single counterparty or any group of counterparties with similar characteristics other than the balances which are provided for as described in note 22.

The Group has credit risk from financial institutions. Cash deposits are placed with a group of financial institutions with suitable credit ratings in order to manage credit risk with any one financial institution.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

Fair value of financial instruments

In the opinion of the Directors, there is no material difference between the book value and the fair value of all financial assets and financial liabilities.

Notes to the Financial Statements continued

for the year ended 31 March 2019

32. Capital Commitments

	2019 €'000	2018 €'000
Contracted but not provided for in respect of property, plant and equipment	15,049	34,461

Included in the above, are amounts relating to the Engineering, Procurement and Construction contracts relating to the Tricoya® plant under construction in Hull.

33. Post Balance Sheet Events

There have been no material reportable events since 31 March 2019.

Company Independent Auditors' Report

to the members of Accsys Technologies PLC

Report on the audit of the Company financial statements

Opinion

In our opinion, Accsys Technologies PLC's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Condensed Company Balance Sheet as at 31 March 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

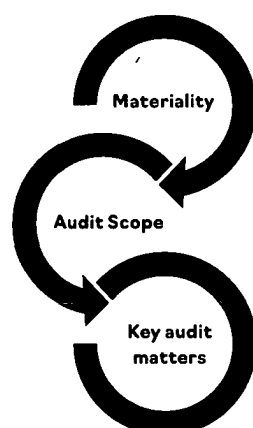
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We have provided no non-audit services to the Group and its subsidiaries in the period from 1 April 2018 to 31 March 2019.

Our audit approach

Overview



Overall materiality: €700,000 (2018: €434,000). For holding companies such as the PLC we often use a benchmark based on the asset base, however, as we are constrained by the Group materiality and allocation to our components an amount of €700,000 was judged to be appropriate.

We have performed a full scope audit of the financial statements of the parent company.

Recoverability of investments in Group subsidiaries.
Going concern.

Company Independent Auditors' Report continued

to the members of Accsys Technologies PLC

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included, but were not limited to, review of correspondence with the regulators, enquiries of management including internal legal counsel and testing of particular classes of transactions. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As in all our audits we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Listing Rules and UK tax and HMRC legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial results and the manipulation of exceptional items and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- understanding management's assessment of the risk and the overall control environment in place, including the 'tone from the top';
- enquiries with management and the Group's legal counsel, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations and examining supporting calculations where adjustments have been made in respect of these;
- reading key correspondence with external legal counsel in relation to compliance with certain laws and guidelines;
- substantive testing of journal entries, particularly focused around the year end and journals posted to revenue / other unusual account combinations; and
- challenging the assumptions and judgements made by management in their significant accounting estimates for bias that could result in material misstatement due to fraud (e.g. impairment of assets, depreciation and amortisation rates).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Recoverability of investments in group subsidiaries	
<p>The parent Company held assets in subsidiaries of €181.3m (2018: €176.6m) at 31 March 2019 comprising €15.2m (2018: €14.8m) of investment in subsidiaries and €166.1m (2018: €161.8m) of amounts owed from Group undertakings.</p> <p>An impairment may be required if there are indicators which reflect a permanent decline in value or that receivables cannot be recovered. Should such indicators exist, management are required to carry out an impairment review. The current market value of the Group being less than the carrying value of the assets at 31 March 2019 is one such indicator and as a result an impairment analysis was carried out by management.</p>	<p>Our audit included the procedures set out below:</p> <p>Understanding and auditing management's impairment calculations (value-in-use) for the overall asset of €181.3m. This included:</p> <ul style="list-style-type: none"> - Verifying that the basis for the value-in-use calculations was a Board approved budget for FY20, consistent with that used in the going concern analysis; - Recalculating the carrying value of the investment assets by agreeing balances back to the financial records; - Debating and challenging management's key assumptions used in the model for future years (Revenue growth, EBITDA margin, discount rate). We have involved valuation specialists in assessing the reasonableness of the discount rate, validated future revenue expectations given knowledge of the capacity of the plant in future years, consideration and challenge of margins based on previous performance. <p>Obtained and analysed other data points such as Broker valuations;</p> <p>Performed a sensitivity analysis on the key assumptions in the impairment model and debated and challenged management on the likelihood of those sensitivities;</p> <p>Review of compliance with the disclosure requirements of FRS101 given the outcome reached; and</p> <p>Reported our approach and findings to the Audit Committee.</p> <p>Based on our procedures we consider management's key assumptions to be within a reasonable range. We note however that minor changes in assumptions could lead to an impairment. The disclosure in note 7 appropriately describes the inherent degree of subjectivity in the estimates, including specific disclosures on the key assumptions most sensitive to change.</p>

Company Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Key audit matter	How our audit addressed the key audit matter
Going concern	
<p>As the Group continues to develop and expand there are a number of factors that potentially impact on its ability to function as a going concern. These include:</p> <p>Continued loss making performance as the Group looks to increase production capacity to leverage continuing investments being made; and</p> <p>Significant planned capital expenditure over the next 12 months at Hull for the Tricoya® businesses as part of that investment.</p> <p>As a result of this continued investment the balances available to the Group over the next 12 to 18 months are forecast by management to reduce from the balances held at 31 March 2019. As such we have included going concern as a significant risk.</p>	<p>Our audit work included the following procedures:</p> <p>Obtaining and auditing management's own going concern assessment. This included:</p> <ul style="list-style-type: none"> Recalculating the arithmetic accuracy of management's model; Ensuring that the model covered an appropriate period and included correct cash balances in the opening position and subsequent movements; and Challenged the key assumptions included in the model, namely (i) the trading position agreed to the Board approved forecast, (ii) challenged management on the extent and timing of future expenditure of capital amounts including the appropriateness of contingencies held given the current state of progress of projects and the agreements in place with the contractors, (iii) considered management's history of ability to forecast result and (iv) considered mitigants available to management should they be required and their amount and timing. <p>As a result of our challenge management produced an updated paper that considered additional downside sensitivities around production levels and capital expenditure. Their updated paper also expanded on the mitigants available to management should they be required and explained why they were satisfied that the current forecasts were robust given previous variances to budget</p> <p>Debated the position with management and reviewed Board minutes to ensure that the position in the model could be corroborated to other supporting information from the Board; and</p> <p>Reported our approach and findings to the Audit Committee in our written report.</p> <p>Management's disclosure on the going concern basis of preparation is consistent with our understanding based on the procedures performed. For our conclusion, please refer to page 127.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€700,000 (2018: €434,000).
How we determined it	Allocation of Group materiality.
Rationale for benchmark applied	Accsys Technologies PLC (the Company) is not a revenue generating entity within the Group, it is ultimate parent holding company. We have considered the materiality level typically used for such companies (e.g. 1% of total assets) and the amount which would be allocated for Group purposes as a reporting component of the Accsys Technologies PLC Group. We have used the lower of these measures.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €35,000 (2018: €30,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Company Independent Auditors' Report continued

to the members of Accsys Technologies PLC

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 73, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

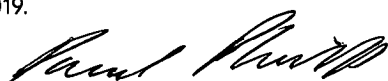
We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 1 April 2011 to audit the financial statements for the year ended 31 March 2011 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 31 March 2011 to 31 March 2019.

Other matter

We have reported separately on the Group financial statements of Accsys Technologies PLC for the year ended 31 March 2019.

**Darryl Phillips (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 June 2019

Condensed Company Balance Sheet

as at 31 March 2019

Registered Company 05534340

	Note	2019 €'000	2018 €'000
Fixed assets			
Investments in subsidiaries	4	15,224	14,842
Property, plant and equipment	6	73	114
Financial asset at fair value through profit or loss	5	-	-
		15,297	14,956
Current assets			
Debtors	7	166,110	161,870
Cash at bank and in hand		425	1,373
		166,535	163,243
Creditors: amounts falling due within one year	8	(12,988)	(13,578)
Net current assets		153,547	149,665
Creditors: amounts falling due after more than one year	9/10	(18,843)	(17,720)
Net assets		150,001	146,901
Capital and reserves			
Called up Share capital	11	5,900	5,576
Share premium account	12	145,429	140,036
Reserve for own shares	12	(9)	(15)
Capital redemption reserve	12	148	148
Profit and loss account	12	(1,467)	1,156
Total shareholders' funds	13	150,001	146,901

The financial statements were approved by the Board and authorised for issue on 24 June 2019 and signed on its behalf by:


Paul Clegg
 Director


William Rudge
 Director

The notes on pages 131 to 139 form an integral part of the parent Company financial statements.

Notes to the Company Financial Statements

for the year ended 31 March 2019

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The separate financial statements of Accsys Technologies PLC ('the Company') have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) for the year ended 31 March 2019. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2 of the Group financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The Company has taken advantage of the exemption in FRS 101, and has not disclosed information required by the standard as the consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 'Financial instruments: disclosures'.
- The Company has taken advantage of the exemption available under FRS 101 and not disclosed related party transactions with wholly owned subsidiary undertakings.
- The Company has taken advantage of the exemption available under FRS 101 and the requirements of IAS 7 to not disclose a Statement of Cash Flows.

As permitted under section 408 of the Act the Company has elected not to present its own profit and loss account for the year. The loss for the financial year was €3,001,000 (2018: loss of €2,010,000). The results of the parent Company are disclosed in the reserves reconciliation in note 12.

Going concern

The Company financial statements are prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future, and at least 12 months from the date these financial statements are approved.

As part of the Company's going concern review, the Directors have reviewed the Company's trading forecasts and working capital requirements for the foreseeable future taking into account the banking and finance facilities which are currently in place (see note 29 in the Group financial statements for details of these facilities). These forecasts indicate that, in order to continue as a going concern, the Company is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of ongoing working capital items in line with internally agreed budgets. The Directors' have also considered the level and timing of capital expenditure required in relation to the new plant in Hull which is currently being built and further expansion of the Arnhem operation (with further details of the required capital expenditure and how this is to be financed to be confirmed as the detailed planning progresses).

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Company's control, that there is no material uncertainty. There are a sufficient number of alternative actions and measures within the control of the Company that can and would be taken in order to achieve the Company's medium and long term objectives including reducing/deferring costs in some discretionary areas.

Therefore the Directors believe that the going concern basis is the most appropriate on which to prepare the financial statements.

Notes to the Company Financial Statements continued

for the year ended 31 March 2019

1. Accounting policies continued

Investments

Except where a reliable fair value cannot be obtained, unlisted shares held by the Company are stated at historical cost less any provision for impairment.

Share based payments

When the parent entity grants options over equity instruments directly to the employees of a subsidiary undertaking, then in the parent Company financial statements the effect of the share based payment is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity.

The fair value of the options granted is measured using a modified Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest only where vesting is dependent upon the satisfaction of service and non-market vesting conditions.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options which eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes except for deferred tax assets which are only recognised to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment charged. Cost includes the original purchase price of the asset as well as costs of bringing the asset to the working condition and location of its intended use. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset, except freehold land, over its expected useful life on a straight line basis, as follows:

Office equipment: Useful life of between 2 and 5 years.

Financial liabilities

Other financial liabilities

Trade payables and other financial liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Accounting judgements

In preparing the Financial Statements, management has to make judgments on how to apply the accounting policies and make estimates about the future. The critical judgments that have been made in arriving at the amounts recognised in the Financial Statements and the key sources of uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below:

Financial asset at fair value through profit or loss

The Company has an investment in listed equity shares carried at nil value. The investment is valued at cost less any impairment as a reliable fair value cannot be obtained since there is no active market for the shares and there is currently uncertainty around the future funding of the business. The Company makes appropriate enquiries and considers all of the information available to it in order to assess whether any impairment has occurred.

Carrying value of intercompany receivables and investments in subsidiaries

The recoverable amounts of these balances have been determined based on value in use calculations. These calculations require the use of judgements in relation to discount rates and future forecasts. The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues relating to group companies. While the scope and timing of the production facilities to be built under the Group's existing and future agreements remains uncertain, the Directors remain confident that revenue from own manufacturing, existing licensees, new licence or consortium agreements will be generated, demonstrating the recoverability of these balances.

2. Profit and loss account

A loss of €3,001,000 (2018: loss of €2,010,000) is dealt with in the Company financial statements of Accsys Technologies PLC. The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company. Fees payable to the Company's auditors for the audit of the Company's annual financial statements was €74,000 (2018: €85,000). Fees payable to the Company's auditors for the audit of the Company's subsidiaries was €169,000 (2018: €147,000) and fees payable for other services were €nil (2018: €nil).

The information disclosed in the Group's consolidated financial statements under IFRS2 'Share-based payment' is within note 15, providing further information regarding the Company's equity settled share based payment arrangements.

3. Employees

The Company had no employees other than Executive Directors (2019: 2 and 2018: 3) during the current or prior year. Hans Pauli stepped down as an Executive Director on 31 December 2018.

Non-Executive Directors received emoluments in respect of their services to the Company of €292,000 (2018: €233,000). Details have been included in the Remuneration Report. The Company did not operate any pension schemes during the current or preceding year.

Notes to the Company Financial Statements continued

for the year ended 31 March 2019

4. Investments in subsidiaries

	€'000
Cost	
At 31 March 2017	19,222
Share based payments	300
At 31 March 2018	19,522
Share based payments	382
At 31 March 2019	19,904
Impairment	
At 1 April 2017 and 1 April 2018 and 31 March 2019	4,680
Net book value	
At 31 March 2019	15,224
At 31 March 2018	14,842
At 31 March 2017	14,542

The Directors believe that the carrying value of the investments are supported by the underlying net assets and future profitability.

The following were the principal subsidiary undertakings at the end of the year and have all been included in the financial statements:

Subsidiary undertakings	Class	2019 % shares and voting rights held	2018 % shares and voting rights held
Titan Wood Technology BV (Netherlands)	Ordinary	100	100
Titan Wood BV (Netherlands)	Ordinary	100	100
Titan Wood Limited (UK)	Ordinary	100	100
Titan Wood Inc (USA)	Ordinary	100	100
Tricoya Technologies Limited (UK) ¹	Ordinary	76	75
Tricoya Ventures UK Limited (UK) ¹	Ordinary	46	46

The shares in Titan Wood BV, Titan Wood Inc, Tricoya Technologies Ltd and Tricoya Ventures UK Ltd are held indirectly by the Company.

1. Non-controlling interests shareholdings are detailed in note 9 & 26 of Group financial statements.

The principal activities of these companies were as follows:

Titan Wood Technology B.V. ¹	The provision of technical and engineering services to licensees, and the technical development of acetylation opportunities.
Titan Wood B.V. ¹	The manufacture and sale of Accoya®, acetylated wood.
Titan Wood Limited ²	Establishing global market penetration of Accoya® and Tricoya® as the premium wood and wood elements brands respectively for external applications requiring durability, stability and reliability through the licensing of the Group's proprietary process for wood acetylation.
Titan Wood Inc. ³	Provision of Sales, Marketing and Technical services.
Tricoya Technologies Limited ²	Engaged in the commercialisation of technology for the production of Tricoya® Wood Elements around the world.
Tricoya Ventures UK Limited ²	The construction and operation of manufacturing plant for Tricoya® wood chips as the premium wood elements brand for external applications requiring durability, stability and reliability.

Registered office of subsidiaries:

1. P.O. Box 2147, 6802 CC, Arnhem, The Netherlands
2. Brettenham House, 19 Lancaster Place, London, WC2E 7EN, United Kingdom
3. 5000 Quorum Drive, Suite 620, Dallas, Texas 75254, U.S.A

5. Financial asset at fair value through profit or loss

	2019 €'000	2018 €'000
Shares held in Cleantech Building Materials PLC	-	-

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. On 23 December 2016, Cleantech Building Materials PLC acquired Diamond Wood China. On 19 April 2017 Cleantech Building Materials acquired the 21,666,734 shares previously owned by the Company and in return the Company has been issued with 520,001 shares in Cleantech Building Materials PLC, a listed company trading on the Nasdaq First North market in Copenhagen, Wiener Börse of the Vienna Stock Exchange.

There continues to be no active market for these shares as at 31 March 2019, and there is significant uncertainty over the future of Cleantech Building Materials PLC. As such a reliable fair value cannot be calculated and the investment is carried at a nil value (2018: nil).

The historical cost of the listed shares held at 31 March 2019 is €10m (2018: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2019.

During the prior year the Company sold 21,479 shares at €1.50 per share resulting in a gain of €32,000. A total of 498,522 shares were held at 31 March 2019.

Notes to the Company Financial Statements continued

for the year ended 31 March 2019

6. Property, plant and equipment

	Office equipment €'000	Total €'000
Cost or valuation		
At 31 March 2017	208	208
Additions	-	-
Disposals	-	-
At 31 March 2018	208	208
Additions	-	-
Disposals	-	-
At 31 March 2019	208	208
Accumulated depreciation		
At 31 March 2017	52	52
Charge for the year	42	42
At 31 March 2018	94	94
Charge for the year	41	41
At 31 March 2019	135	135
Net book value		
At 31 March 2019	73	73
At 31 March 2018	114	114
At 31 March 2017	156	156

Included within property, plant and equipment are assets which have been accounted for as a finance lease (see note 9).

7. Debtors

	2019 €'000	2018 €'000
Amounts owed by Group undertakings	166,014	161,775
Prepayments and accrued income	96	95
	166,110	161,870

The balance of amounts owed by Group undertakings increased in the year largely as a result of the share issue proceeds being invested by way of intercompany loans to the Company's subsidiaries.

The amounts owed by Group undertakings currently have no repayment plans in place, however the intention is for the Group's subsidiaries to repay this balance in the future. A repayment plan will be determined and commence for the loan when the subsidiaries have surplus cash and the Group requires the cash for other purposes. The Directors have considered the recoverability of the balances, taking into account the net assets as well as the long term expected performance of the subsidiaries and do not consider that any impairment is currently required. The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on Board approved financial budgets. Cash flows have been projected for a period of 12 years, including a six year forecast and six years of 2% growth plus assumptions concerning a terminal value and based on a pre-tax discount rate of 10% per annum (2018: 12%). The key assumption used in the value in use calculations is the level of future licence fees and manufacturing revenues prudently estimated by management over the budget period. These have been based on past experience and expected future revenues but are limited to existing assets and those under construction.

The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. An impairment would arise if either the discount rate increased by 2.8% or the revenue growth rate decreased by 2%. Accordingly a degree of risk remains over the carrying value given the relative uncertainty of the future results.

8. Creditors: amounts falling due within one year

	2019 €'000	2018 €'000
Trade creditors	433	154
Amounts owed to Group undertakings	11,699	11,719
Obligation under finance lease	16	31
Short term borrowings	762	1,446
Accruals and deferred income	78	228
	12,988	13,578

The amounts owed to Group undertakings are payable upon demand and are unsecured.

9. Commitments under finance leases

	Minimum lease payments	
	2019 €'000	2018 €'000
Amounts payable under finance leases:		
Within one year	16	31
In the second to fifth years inclusive	20	77
After five years	-	-
Less: future finance charges	(2)	(6)
Present value of lease obligations	34	102

Agreements were entered into in the previous period for the lease of office furniture and fit-out for the London head office, resulting in a finance lease creditor of €34,000 as at 31 March 2019 (2018: €102,000).

10. Commitments under loan agreements

	2019 €'000	2018 €'000
Amounts payable under loan agreements:		
Within one year	851	1,786
In the second to fifth years inclusive	25,088	19,390
After five years	-	5,788
Less future finance charges	(6,352)	(7,869)
Present value of loan obligations	19,587	19,095

The balance relates to Loan Notes issued to BGF and Volantis. Further details can be found in note 29 of the Group financial statements.

Notes to the Company Financial Statements continued

for the year ended 31 March 2019

11. Called up Share capital

	2019 €'000	2018 €'000
Allotted – Equity share capital		
117,988,305 Ordinary shares of €0.05 each (2018: 111,513,145 Ordinary shares of €0.05 each)	5,900	5,576
	5,900	5,576

In year ended 31 March 2018:

Own shares represents 295,874 Ordinary shares issued to an Employee Benefit Trust ('EBT') at nominal value. This includes 97,720 shares issued on 23 June 2017 to an Employee Benefit Trust ('EBT') at nominal value and 198,154 shares issued on 27 September 2017 to an Employee Benefit Trust ('EBT') at nominal value.

On 24 April 2017 a total of 20,323,986 of €0.05 Ordinary shares were issued at €0.69 per share, in accordance with the Company's capital raise announced on the 29 March 2017.

679,435 €0.05 Ordinary shares had been issued to the EBT at nominal value on 27 June 2016 of which 679,435 Ordinary shares vested on 1st July 2017. 106,189 shares were issued on 27 September 2017 have been conditionally issued and allotted to an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP'). 143,511 shares were issued on 26 February 2018 to an ex-employee. 118,511 of these Shares have been conditionally issued and allotted following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP'), with the balance of 25,000 Shares conditionally issued and allotted as part of the individual's severance terms.

In year ended 31 March 2019:

On 18 July 2018, 6,231,070 ordinary shares were issued to VP Participaties BV, the investment company of the Van Puijenbroek family, at a price of €0.92 per share. Proceeds of €5,704,000 were received net of expenses of €28,000.

173,915 shares were issued on 25 June 2018 to an Employee Benefit Trust ('EBT') at nominal value. In addition, of the Ordinary Shares which had been issued to the EBT in the previous year, 295,874 Ordinary Shares vested on 01 July 2018. Of these beneficiaries elected to sell 128,213 Ordinary Shares in the market, with sale date of 02 August 2018.

70,175 shares were issued on 18 February 2019 to an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP').

12. Reserves

The profit and loss account includes €8,010,000 of non-distributable reserves arising from the liquidation of Accsys Chemicals Limited in the year ended 31 March 2007. The profit and loss account also includes €8,732,000 of non-distributable reserves relating to share based payments.

	Called up Share capital €000	Share premium account €000	Capital redemption Reserve €000	Own Shares €000	Profit and loss account €000	Total Shareholders Funds €000
Balance at 1 April 2017	4,531	128,792	148	(33)	2,866	136,304
Loss for the financial year	-	-	-	-	(2,010)	(2,010)
Share based payments	-	-	-	-	300	300
Shares issued	1,045	-	-	18	-	1,063
Premium on shares issued	-	13,007	-	-	-	13,007
Share issue costs	-	(1,763)	-	-	-	(1,763)
Balance at 31 March 2018	5,576	140,036	148	(15)	1,156	146,901
Loss for the financial year	-	-	-	-	(3,001)	(3,001)
Share based payments	-	-	-	-	382	382
Shares issued	324	-	-	6	(4)	326
Premium on shares issued	-	5,421	-	-	-	5,421
Share issue costs	-	(28)	-	-	-	(28)
Balance at 31 March 2019	5,900	145,429	148	(9)	(1,467)	150,001

13. Reconciliation of movements in shareholders' funds

	2019 €'000	2018 €'000
Loss for the financial year	(3,001)	(2,010)
Share based payments charged to subsidiaries	382	300
Proceeds from issue of shares	5,747	14,070
Share issue costs	(28)	(1,763)
Net increase in shareholders' funds	3,100	10,597
Opening shareholders' funds	146,901	136,304
Closing shareholders' funds	150,001	146,901

14. Dividends Paid

	2019 €'000	2018 €'000
Final Dividend €Nil (2018: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

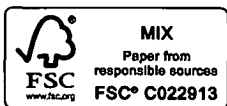
15. Deferred taxation


The Company has an unrecognised deferred tax asset of €1.7m (2018: €1.7m) which is largely in respect of trading losses. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the fellow subsidiary (in which the Company is in the same tax group) attributable to licensing activities.

Shareholder Information

Accsys Technologies PLC is a public limited company incorporated in the United Kingdom

Directors	Sean Christie Paul Clegg Sue Farr Nick Meyer William Rudge Trudy Schoolenberg Patrick Shanley	Non-Executive Director Chief Executive Officer Non-Executive Director Non-Executive Director Finance Director Non-Executive Director Non-Executive Chairman	
Company Secretary	Angus Dodwell		
Company Number	05534340		
Registered Office	Brettenham House 19 Lancaster Place London WC2E 7EN		
Bankers	Barclays Bank One Churchill Place London E14 5HP	Royal Bank of Scotland 250 Bishopsgate London EC2M 4AA	ABN AMRO Bank Velperweg 37 6824 BM Arnhem The Netherlands
Registrars	SLC Registrars Elder House, St Georges Business Park Brooklands Road, Weybridge Surrey, KT13 0TS		
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory auditors 1 Embankment Place London, WC2N 6RH		
Lawyers	Slaughter & May One Bunhill Row London EC1Y 8YY		
Joint Broker and Nomad	Numis Securities Ltd The London Stock Exchange Building 10 Paternoster Square London, EC4M 7LT		
Joint Broker	Investec Bank PLC 30 Gresham Street London EC2V 7QP		
Investor Relations	FTI Consulting 200 Aldersgate Street Barbican London, EC1A 4HD		



Designed and produced by **emperor** 
Visit us at emperor.works



Changing wood to change the world

Accsys Technologies PLC

Brettenham House
19 Lancaster Place
London
WC2E 7EN

+44 (0)20 7421 4300

Accsys Technologies 2019, Accsys Technologies is a trading name of Titan Wood Limited. Accsys®, Accoya®, Tricoya® and the Trimarque Device are registered trademarks owned by Titan Wood Limited ('TWL'), a wholly owned subsidiary of Accsys Technologies PLC, and may not be used or reproduced without written permission from TWL, or in the case of the Tricoya® registered trademark, from Tricoya Technologies Limited, who have exclusive rights to exploit the Tricoya® brand. © Accsys Technologies PLC 2019

www.accsysplc.com www.accoya.com www.tricoya.com